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Cotton standards

Washington

1923

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COTTON STANDARDS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS.

FOURTH SESSION

ON

H. R. 14302

AN ACT TO ESTABLISH AND PROMOTE THE USE OF THE
OFFICIAL COTTON STANDARDS OF THE UNITED STATES
IN INTERSTATE AND FOREIGN COMMERCE; TO PREVENT
DECEPTION THEREIN AND PROVIDE FOR THE PROPER
APPLICATION OF SUCH STANDARDS; AND
FOR OTHER PURPOSES

FEBRUARY 20 AND 24, 1923.

Printed for the use of the Committee on Agriculture and Forestry.



WASHINGTON
GOVERNMENT PRINTING OFFICE
1923

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II

COTTON STANDARDS.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Tuesday, February 20, 1923.

The subcommittee met, pursuant to call, at 10.30 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Ladd, Smith, and Ransdell.
Senator NORRIS. The committee will come to order. We have with us this morning Congressman Fulmer, who is the author of H. R. 14302. I have called the committee for the purpose of giving him an opportunity to be heard on that bill.
(The bill referred to is here presented in full, as follows:)

[H. R. 14302, Sixty-seventh Congress, fourth session.]

AN ACT To establish and promote the use of the official cotton standards of the United States in interstate and foreign commerce; to prevent deception therein and provide for the proper application of such standards; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known by the short title of "United States cotton standards act."

SEC. 2. That it shall be unlawful (a) in or in connection with any transaction or shipment in commerce made after this Act shall become effective, or (b) in any publication of a price or quotation determined in or in connection with any transaction or shipment in commerce after this Act shall become effective, or (c) in any classification for the purposes of or in connection with a transaction or shipment in commerce after this Act shall become effective, for any person to indicate for any cotton a grade or other class which is of or within the official cotton standards of the United States then in effect under this Act by a name, description, or designation, or any system of names, description, or designation not used in said standards: *Provided*, That nothing herein shall prevent a transaction otherwise lawful by actual sample or on the basis of a private type which is used in good faith and not in evasion of or substitution for said standards.

SEC. 3. That the Secretary of Agriculture may, upon presentation of satisfactory evidence of competency, issue to any person a license to grade or otherwise classify cotton and to certificate the grade or other class thereof in accordance with the official cotton standards of the United States. Any such license may be suspended or revoked by the Secretary of Agriculture whenever he is satisfied, after reasonable opportunity afforded to the licensee for a hearing, that such licensee is incompetent or has knowingly or carelessly classified cotton improperly, or has violated any provision of this act or the regulations thereunder so far as the same may relate to him, or has used his license or allowed it to be used for any improper purpose. Pending investigation the Secretary of Agriculture, whenever he deems necessary, may suspend a license temporarily without a hearing.

SEC. 4. That any person who has custody of or a financial interest in any cotton may submit the same or samples thereof, drawn in accordance with the regulations of the Secretary of Agriculture, to such officer or officers of the Department of Agriculture as may be designated for the purpose pursuant to the regulations of the Secretary of Agriculture for a determination of the true classification of such cotton or samples, including the comparison thereof, if requested, with types or other samples submitted for the purpose. The final certificate of the Department of Agriculture showing such determination shall be binding on officers of the United States and shall be accepted in the courts of the United States as prima facie evidence of the true classification or comparison of such cotton or samples when involved in any transaction or shipment in commerce. The Secretary of Agriculture shall fix rules and regulations for submitting samples of cotton for classification providing that all samples shall be numbered so that no one interested in the transaction involved shall be known by any classifier engaged in the classification of such cotton samples.

SEC. 5. That the Secretary of Agriculture may cause to be collected such charges as he may find to be reasonable for licenses issued to classifiers of cotton under section 3 and for determinations made under section 4 of this act, and the amounts so collected shall be used by the Secretary of Agriculture in paying expenses of the Department of Agriculture connected therewith.

SEC. 6. That the Secretary of Agriculture is authorized to establish from time to time standards for the classification of cotton by which its quality or value may be judged or determined for commercial purposes, which shall be known as the official cotton standards of the United States. Any such standard or change or replacement thereof shall become effective only on and after a date specified in the order of the Secretary of Agriculture establishing the same, which date shall be not less than one year after the date of such order: *Provided*, That the official cotton standards established, effective August 1, 1923, under the United States cotton futures act, shall be at the same time the official cotton standards for the purpose of this act unless and until changed or replaced under this act. Whenever any standard or change or replacement thereof shall become effective under this act, it shall also, when so specified in the order of the Secretary of Agriculture, become effective for the purposes of the United States cotton futures act and supersede any inconsistent standard established under said act. Whenever the official cotton standards of the United States established under this act shall be represented by practical forms the Department of Agriculture shall furnish copies thereof, upon request, to any person, and the cost thereof, as determined by the Secretary of Agriculture, shall be paid by the person making the request. The Secretary of Agriculture may cause such copies to be certified under the seal of the Department of Agriculture and may attach such conditions to the purchase and use thereof, including provision for the inspection, condemnation, and exchange thereof by duly authorized representatives of the Department of Agriculture, as he may find to be necessary to the proper application of the official cotton standards of the United States. Any moneys received from or in connection with the sale of cotton purchased for the preparation of such copies and condemned as unsuitable for such use or with the sale of such copies may be expended for the purchase of other cotton for such use.

SEC. 7. That in order to carry out the provisions of this act, the Secretary of Agriculture is authorized to cause the inspection, including the sampling, of any cotton involved in any transaction or shipment in commerce, wherever such cotton may be found, or of any cotton with respect to which a determination of the true classification is requested under section 4 of this act.

SEC. 8. That it shall be unlawful for any person (a) with intent to deceive or defraud, to make, receive, use, or have in his possession any simulate or counterfeit practical form or copy of any standard or part thereof established under this act; or (b) without the written authority of the Secretary of Agriculture, to make, alter, tamper with, or in any respect change any practical form or copy of any standard established under this act; or (c) to display or use any such practical form or copy after the Secretary of Agriculture shall have caused it to be condemned.

SEC. 9. That (a) any person who shall knowingly violate any provision of sections 2 or 8 of this act, or (b) any person licensed under this act, who, for the purposes of or in connection with any transaction or shipment in commerce, shall knowingly classify cotton improperly, or shall knowingly falsify or forge any certificate of classification, or shall accept money or other consideration, either directly or indirectly, for any neglect or improper performance of duty as such licensee, or (c) any person who shall knowingly influence improperly or attempt to influence improperly any person licensed under this act in the performance of his duties as such licensee relating to any transaction or shipment in commerce, or (d) any person who shall knowingly influence improperly any person employed under this act in the performance of his duties, shall, upon conviction thereof, be deemed guilty of a misdemeanor and shall be fined not exceeding \$1,000, or imprisoned not exceeding six months, or both, in the discretion of the court.

SEC. 10. That for the purposes of this act the Secretary of Agriculture shall cause to be promulgated such regulations, may cause such investigations, tests, demonstrations and publications to be made, including the investigation and determination of some practical method whereby repeated and unnecessary sampling and classification of cotton may be avoided, and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or he shall find to be necessary.

SEC. 11. That wherever used in this act, (a) the word "person" imports the plural or the singular, as the case demands, and includes an individual, a partnership, a corporation, or two or more persons having a joint or common interest; (b) the word "commerce" means commerce between any State or the District of Columbia and any

place outside thereof, or between points within the same State or the District of Columbia but through any place outside thereof, or within the District of Columbia; and (c) the word "cotton" means cotton of any variety produced within the continental United States, including linters. When construing and enforcing the provisions of this act, the act, omission, or failure of any agent, officer, or other person acting for or employed by any person, within the scope of his employment or office, shall in every case be deemed also the act, omission, or failure of such person as well as that of such agent, officer, or other person.

SEC. 12. That there are hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, such sums as may be necessary for carrying out the provisions of this act; and the Secretary of Agriculture is authorized, within the limits of such appropriations, to appoint, remove, and fix the compensations of such officers and employees, not in conflict with existing law, and made such expenditures for rent outside the District of Columbia, printing, telegrams, telephones, law books, books of reference, periodicals, furniture, stationery, office equipment, travel, and other supplies and expenses as shall be necessary to the administration of this act in the District of Columbia and elsewhere.

SEC. 13. That if any provision of this act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the act and the application of such provision to other persons and circumstances shall not be affected thereby.

SEC. 14. That this act shall become effective on and after August 1, 1923.

Passed the House of Representatives February 14, 1923.

Attest:

WM. TYLER PAGE, *Clerk*.

SENATOR NORRIS. We will be glad to hear from you now, Congressman, if you are ready.

STATEMENT OF HON. HAMPTON P. FULMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA.

MR. FULMER. Mr. Chairman and gentlemen of the committee, the bill I am interested in before your committee, is H. R. 14302. If you will read the title of the bill it will show exactly what we propose to do under this bill that is to establish and promote the use of the official cotton standards of the United States in interstate and foreign commerce; to prevent deception therein and provide for the proper application of such standards; and for other purposes.

I might say right here that practically all the larger exchanges of the country, Dallas, Texas, Charleston, S. C., Augusta and Atlanta, Ga., New Orleans, La., and New York have already adopted the official standards, but that only applies in delivery of spot cotton on future contract. Under this bill we propose to adopt the official standards in all spot cotton transactions. It would take but just a few minutes to give you a brief summary of the various sections of the bill.

Section 2 prohibits the use of any other standards than the official cotton standards of the United States in (a) any inter-state or foreign shipment or transaction, (b) any publication or price quotation based on such a shipment, or (c) in the classification of cotton involved in such a shipment or transaction. Permission is given, however, for the employment of actual samples or private types or marks used in good faith when no standard is specified.

Section 3 authorizes the Secretary of Agriculture to examine classifiers of cotton for their competency and to issue licenses to grade or classify cotton and to certify its grade or classification in accordance with the official standard. Authority is also given to suspend or revoke such licenses in the event of their misuse.

Section 4 provides that cotton or samples may be submitted to the Secretary of Agriculture for a determination of the true classification thereof, and that his findings shall be accepted by the courts as prima facie evidence of the true classification of the cotton or of its comparison with types or other samples.

Section 5 authorizes the Secretary to fix and collect charges for the services performed under sections 3 and 4.

Section 6 authorizes the establishment by the Secretary of Agriculture of official standards for cotton and prescribes that the standards now established under the United States cotton futures act, effective August 1, 1923, shall be the official standards for the purposes of this act. Provision is made for revising these standards as need may arise and for the distribution of copies of the public.

Section 7 permits the inspection and sampling of cotton by the Secretary of Agriculture which may be necessary in the administration of the act. The purpose of this section is to give authority to the Secretary for the proper enforcement of section 2,

as well as to enable him to secure samples when necessary, to be used as the basis of his determinations under section 4.

Section 8 is intended to safeguard the standards by making it unlawful to counterfeit or alter any copy of the official standards, or to use any official copy which may have been condemned.

Section 9 prescribes suitable penalties for the violation of sections 2 and 8, and safeguards the integrity of classification of certificates issued under the act.

Section 10 authorizes the Secretary to conduct any necessary demonstrations, tests, or investigations, and to put forth necessary publications for the purpose of the enforcement of the act and for the improvement of methods of sampling and classifying. It authorizes also cooperation with any other department or agency of the National or State Governments.

Section 11 defines the words "person," "commerce," and "cotton," and makes principals responsible for the acts of their agents or employees.

Section 12 authorizes the appropriation of necessary moneys for the enforcement of the act and enables the Secretary of Agriculture to make necessary expenditures from such appropriations.

Section 13 contains the usual provision with reference to the constitutionality of the act.

Section 14 makes August 1, 1923, the date on which the measure becomes effective.

Senator NORRIS. How much would it cost?

Mr. FULMER. I think the Secretary of Agriculture would ask for an authorization of about \$50,000. Under a similar bill passed in the interest of the grain people of the West they appropriated \$500,000, but all of that money has been paid back, and it will only be a short time under this bill before the money will be paid back.

Senator NORRIS. Under your bill Mr. Fulmer, there are fees collected, are there not?

Mr. FULMER. Yes, sir.

Senator NORRIS. So that in the end the Government will not be out the money?

Mr. FULMER. It will be a very short time when that money will be returned to the Government and after that it will be self-sustaining.

Senator SMITH. Do you make any provision here which in terms prohibits individuals making sales without using the Government standards, if they see fit to do so?

Mr. FULMER. No; any farmer can go to town and sell to anybody and on any grade that they might agree upon. But I find in South Carolina to-day our farmers are going to the county seat where they have State graders located and they will get the grades of the various bales of cotton, 50 bales or 100 bales, and go back to their home town and present that cotton to the local merchant, and if the cotton buyer wants to undergrade the producer is protected because he has his cotton graded by the grader.

Senator RANDELL. May I ask how they get that grade? They do not take the cotton itself to the county seat, do they?

Mr. FULMER. No; just a sample.

Senator RANDELL. And the grader must assume that is a properly drawn sample or else he can not grade it properly?

Mr. FULMER. Yes.

Senator SMITH. What I am getting at is this, that under this bill, if there be a licensed grader at a given point, in that event the seller of the cotton could insist that his cotton be sold under that licensed grade.

Mr. FULMER. Oh, yes. Now we have graders operating at the various warehouses and with the cooperative association standing between the producer and the buyer of cotton. Just a short while ago, about three weeks ago, I personally delivered a lot of cotton and after we had delivered about 35 bales out of two hundred and odd bales I had to call off the delivery of that cotton on account of the manner that they proposed to grade the cotton. I called up Mr. Rivers, the State warehouseman, and the next morning he sent me over two graders and we went through and I got the actual grades on Liverpool classification, and according to the official standards of the United States on that one lot of cotton I had a loss of at least \$500. I have letters here this morning that I would like to have go into the record. For instance, Marshall Field & Co. of Chicago, Ill., who own about 25 mills in North Carolina and Virginia, tell me they buy every bale of cotton on official standards.

The farmer sells his cotton only on color, and when that cotton is exported or sold to the mills, they not only grade it as to the color but as to the length of staple.

Senator SMITH. The practice is pretty general throughout the country, since attention has been paid to staple, to have the different grades applicable to the difference in length of staple. For instance, seven-eighths inch cotton will have all of the 10 official standards; 1 inch will have all of the 10 official standards; inch and a quarter the same; that is, the color, foreign matter and the condition of the cotton will be graded with the same number of grades but with respect to the staple. For instance,

in 1 inch you will have low middling, strict low middling, strict middling, etc., all 1-inch staple, and have the same grades of the different lengths of staple; but what I am trying to arrive at is this: This bill provides that where it is requested, or where the parties desire to sell, they may under your bill have available a Government standard and a Government licensee who shall sample their cotton and grade it, but does it make it obligatory that all cotton for interstate shipment, wherever sold, shall be graded according to Government standards?

Mr. FULMER. Yes; that is covered in one of the sections of my bill. All cotton for shipment in interstate and foreign commerce.

I am not only a cotton producer at this time, but I have bought and sold thousands of bales of cotton, and I had to buy from the producer so as to deliver at the other end of the line, and in some instances I would get a return from the cotton factor in Augusta or Savannah, and would see that they were robbing me on my grades, and I would call up and say I want to stop delivery of the cotton and will come and look after it, being satisfied I was losing under their grading, and they would say, "All right; go down to the exchange and arbitrate the matter." Well, they control the cotton exchange and I might as well accept the first grading as to attempt to arbitrate it. Under this bill it will allow me to appeal to the Secretary of Agriculture and have an expert grader pass upon it. The exporter to-day has thousands of claims coming back from Liverpool on account of this. They have to squeeze the producer or the small town buyer, knowing they are going to get squeezed at the other end of the line. These claims are passed upon in Liverpool and the exporter has to accept and settle on the Liverpool grading. I believe the passage of this bill would mean millions to the exporter; this would be handed down eventually to the producer.

Senator NORRIS. If this bill is adopted would not those claims come back from Liverpool just the same?

Mr. FULMER. Yes; but the Secretary of Agriculture would have supervision over the grading and his decision would be final.

Senator RANDELL. When you use the word "exchange," you mean exchanges like Atlanta, Savannah, New Orleans, etc., and not the future exchanges?

Mr. FULMER. Yes; this applies entirely to spot cotton.

Senator RANDELL. And has no connection with the future market?

Mr. FULMER. No, sir.

Senator SMITH. The future markets have already adopted those standards.

Senator RANDELL. Yes; I know that, but I wanted to make it clear to the gentleman here that this does not touch that part of it.

Mr. FULMER. Yes; I want to say to the committee this bill has no connection whatever with Senator Dial's bill; it deals altogether with spot transactions.

The records of the Agriculture Department will show in 1919 that the cotton crop produced that year sold by the producer to the mill, the difference between the amount received by the producer and that paid by the mills, amounted to \$220,600,000.

I contend under my bill that we will eliminate a large slice of that difference between the amount received by the producer and that paid by the mills or the buyers of cotton, because this will eliminate a great many dishonest buyers who are to-day not making any money between the price that they would pay and the price at which they would sell, but they are absolutely speculating on the grades of cotton between the producer and the larger buyer.

Senator RANDELL. Is there any opposition to your bill that you know of?

Mr. FULMER. I have not heard of any, and some party representing the New Orleans Exchange, in fact Dr. Aswell, said it was satisfactory to the New Orleans Exchange; that they would take care of themselves.

Senator RANDELL. Your bill just tends toward fair dealing.

Mr. FULMER. To everybody.

Senator RANDELL. So that everybody interested in the cotton will get what is rightfully coming to him?

Mr. FULMER. Yes.

Senator RANDELL. Absolutely no more and no less than what the cotton actually is, so it will be fair all around?

Mr. FULMER. Yes, sir. And I will say to the Senator that I have a number of letters here.

Senator RANDELL. Suppose I am a farmer raising cotton and living in a little town that might not have any official grader. There is nothing in your bill to prevent me going to any local merchant, if I wanted to do it, and letting him tell me that my cotton is thus and so, and selling it to him on that grade?

Mr. FULMER. No.

Senator RANDELL. But if that cotton went to one of the larger markets I could get one of these official graders?

Mr. FULMER. Yes; and that is why many of the farmers are joining the cooperating associations.

Senator RANDELL. I joined one myself.

Mr. FULMER. This will tend to increase the number of members and we will get the benefit of it.

I have a letter from ex-Congressman Lever, who served in the House for 18 years. I will state the contents of the letter. It is about along this line: Your bill received and in looking over it—

Senator NORRIS. If you want it incorporated in the record you can just give the letter to the reporter.

Mr. FULMER. I would like to have these letters incorporated.

Senator RANDELL. I would like to have the letters go in.

Mr. FULMER. And I would like to put in the letters from the agriculture commissioners of the cotton States.

Senator NORRIS. You may give them to the reporter.

(The letters will be found at the end of the hearing.)

Mr. FULMER. I would like to give the balance of the time you might give us to Mr. Meadows, who is connected with the Agriculture Department.

Senator NORRIS. All right, we will hear from Mr. Meadows.

STATEMENT OF MR. W. R. MEADOWS, DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

Mr. MEADOWS. My name is W. R. Meadows, cotton technologist in charge of the Division of Cotton Marketing, United States Department of Agriculture. The time is short and I will make my remarks just as pointed as I can.

The first thing I wish to call your attention to is the fact that this bill has been carefully considered by the Secretary of Agriculture and he has written a letter of approval to the chairman of the Committee on Agriculture in the House and that letter appears in the House records of the hearings on this bill.

I wish to state also that the Bureau of the Budget has assented to the measure as not in violation of any program which the President has in mind.

So I come with the approval of the Secretary of Agriculture and the Bureau of the Budget. I wish to limit my remarks to just the principal phases of the bill and not go into all the details of the measure.

The first thing, section 2 proposes to prohibit the use of any cotton standards in commerce on American cotton except the official cotton standards of the United States. That automatically prohibits the use of Liverpool standards in this country. There is, however, a proviso in section 2 that permits any man to sell his cotton on type or actual sample, as he has been accustomed to sell it from time immemorial. It does not interfere with his right to sell cotton as he pleases, provided it is not sold in accordance with some foreign standard.

The establishment of a single set of standards is greatly to be desired. It has been the aim of the cotton trade for the past 15 years to agree on a set of standards, but there are so many conflicting interests at stake that they can not reach an agreement, and inasmuch as they can not reach an agreement, we believe that the enactment of the second provision of this bill into law will greatly facilitate the establishment of a single set of standards for American cotton. That would have one important effect: It would improve the quotation service on cotton. We would all be talking about the same thing when we saw a quotation, and the simplification of quotations would be of direct benefit to the farmers.

Senator SMITH. It would eliminate certain spot markets quoting base middling at a higher or lower price than another market, which difference in quotation is based upon difference in classification.

Mr. MEADOWS. That is it, Senator; yes, sir.

The States have attempted this in certain cases, and this bill would simply be a capstone to supplement State legislation, which I am sure has been passed by Georgia and Alabama, and I understand South Carolina. This bill does not interfere with the rights of the States, but supplements State action that has already been taken by several of them.

Senator RANDELL. You speak of different standards. How many standards have we for determining the grade and kind of cotton?

Mr. MEADOWS. Senator, the two great standards are the United States official cotton standards, which are largely used in this country and the Liverpool standards which are largely used abroad and used to some extent in exportation of cotton from the United States, and in some few cases cause confusion with our standards in transactions in cotton in this country.

Senator RANDELL. It is really a confusion between Liverpool and this country which you are trying to overcome?

Mr. MEADOWS. Yes, sir; and there is a Bremen standard, slightly different from either of the others.

Senator RANDELL. And there is no French standard?

Mr. MEADOWS. I think there is no French standard. I think the French standard follows Liverpool; I think it is the same as the Liverpool standard.

Senator SMITH. The Liverpool standard is used considerably in this country.

Mr. MEADOWS. Yes, sir. I want to be frank and to say if this bill passes it will prevent the use in this country of any foreign standards. The only standard they can use will be official standards of the United States. But the privilege of selling or shipping cotton to market on sample or on type is permitted.

The second important feature of this bill is the licensing of classifiers. This is done with the direct purpose of passing back to the producer as far as possible the benefits of having cotton sold by class, and it is believed that with an impartial classification of cotton throughout the country the producer of cotton will come nearer receiving the value of his product than he does at the present time. So much for that.

I wish to say that the licensing of classifiers is permissive. A man does not have to have a license in order to ship cotton, but the fact that it will give him preeminence as a cotton classifier will probably induce the classifier to take out a license.

Now the third thing of great importance in this measure is the authority conferred by section 4 on the Secretary of Agriculture to classify cotton which is presented to him for the purpose of having it certificated. This acts practically as an arbitration on spot shipments, whether to Liverpool or whether in interstate shipment in this country. The arbitration before a board of foreign arbitrators, based on standards to which Americans do not have ready access, has been the bane of the cotton exporter's business since its inception. Under this bill the Secretary of Agriculture would have authority to pass judgment on the grade and staple of cotton and his finding would be made final before the United States courts.

Senator SMITH. I want to get this clear and I would like to have it in the record. It constitutes the Secretary of Agriculture as the arbitrator where the cotton has been exported or sold in interstate commerce on the Government official standards?

Mr. MEADOWS. Yes, sir.

Senator SMITH. If there is a demurrer and some one objects or says it has not been properly classified, then the samples are taken from the cotton in question and referred to the Secretary of Agriculture?

Mr. MEADOWS. Yes, sir.

Senator SMITH. And his say so is final.

Mr. MEADOWS. Yes, sir. I want to add one thing that is not always clear in the discussion of this matter: The Secretary of Agriculture is permitted to make rules on this subject, and those rules will be laid down in printed form and will be as safe as the sampling and classification of cotton in New Orleans or New York under the cotton futures act. We do not intend to start out taking wildcat samples from anyone who presents them to us. The rules will be equitable and will guarantee against abuses as far as possible.

Senator SMITH. So that if there is a mistake made you have a court of appeals?

Mr. MEADOWS. Yes, sir. We already have some experience as to the success of the Government classing cotton under the United States cotton futures act. The cotton exchanges formerly performed that function, but since the Government has taken it over the exchanges have found that the Government has been sufficiently accurate to give faith in the Government class, and it has worked successfully since 1919 when the cotton futures act was amended and the Secretary of Agriculture given this authority.

When the grain standard act was passed in 1916 the grain people were given the privilege of appealing to the Secretary of Agriculture, and since that time they are satisfied with the operation of their grain trade under that act. This bill was introduced originally as a companion measure to the grain standards bill. The grain standards bill passed and this did not. We are asking now for the cotton shippers the same advantages the grain man has had for the last six or seven years.

Senator RANDELL. I suppose there is just one standard for grain?

Mr. MEADOWS. There is just one standard for grain.

Senator RANDELL. And you want one standard for cotton?

Mr. MEADOWS. We want one standard for cotton and we want the American certificate to be final.

There are one or two indirect advantages to the measure that I want to point out. First, it will improve the credit of farmers. At the present time we are operating under the warehouse act, which is a measure designed to give validity to warehouse

receipts. This measure will give still greater validity to warehouse receipts from the fact you can get an official class on cotton so that a banker will have a standard to loan money on, and it ought to serve to reduce the interest rate to farmers who are holding cotton while awaiting a favorable market.

Another thing is that this bill does not in any sense interfere with the cotton futures act but will serve to support and extend that measure. It will be a benefit to the cotton futures act in my judgment to have this measure passed.

Now I come to the most important thing of all, and that is, how does this measure help the farmer? I want to point out first that in the simplification of the cotton business it tends to minimize the spread between the farmer's price and the spinner's price, which will be of general benefit to farmers as well as to other parts of the community, or sections of the people.

Second, it will enable the farmer to sell his cotton after its classification rather than before, if the farmer elects to sell in that manner.

To give you a specific instance of this: If, for instance, I as a farmer have cotton at Montgomery, Ala., and wish to sell that cotton to some mill in Georgia, I could sell that cotton on guaranteed grade and leave the matter of arbitration to the Secretary of Agriculture, and we would settle for the cotton on the final outturn by the Department of Agriculture.

You see, a producer, then, can appeal directly to the Secretary and get an outturn on his cotton which would be final in the settlement of his contract.

In case a man drove into town with only three or four bales of cotton and he chose to sell the cotton to the first merchant who made an offer on it without reference to grade or staple, nothing would prevent him from doing so, but he would not get the benefits of this bill. But I believe the cotton producer as a rule is intelligent enough to come within the provisions of this bill by selling his cotton on guaranteed classification, and in that event the Secretary of Agriculture would be the final arbitrator of the classification, and even the small farmer can come within the provisions of the bill.

Senator RANDELL. Take a small town like the one in which I live, which is some distance away from where they would have one of these licensed classifiers, and suppose as a small farmer I had 10 or 15 bales to sell and wanted to sell to a local merchant, how as a practical proposition could I make sure that I would get the real classification of my cotton?

Mr. MEADOWS. I will mention two ways, Senator. The first is the least certain of accurate results. Probably in a town the size of yours there would be a licensee of the Secretary of Agriculture to whom you could take your cotton and he would give you a class on it, and if you were satisfied with the class and the merchant accepted it that would settle the matter. You would have the licensee to pass on your cotton.

Senator RANDELL. I simply pay him a small fee?

Mr. MEADOWS. Simply pay him a small fee. It will be a very small fee. In case you did not have a licensee in your town, I think the rules of the Secretary of Agriculture will be sufficiently liberal for you to have your cotton sampled under the supervision of a disinterested person—perhaps a warehouse man—and those samples sent under the rules of the Secretary of Agriculture to the nearest board of cotton examiners—perhaps in your case to New Orleans—and, although you may be 200 miles from New Orleans, that board of cotton examiners would take those samples of cotton, properly drawn and properly handled, give you its best judgment as to the grade and staple and make you out a certificate showing the grade and staple of each bale and then send those samples back to you, or they might split them and keep part of the sample of each bale for the board's file. But they would send you your sample back with a certificate of the grade of the cotton and you could take that document to the local merchant and that would be the final classification of your cotton.

Senator RANDELL. That would at least post me, if I had any intelligence at all, on what that cotton was?

Mr. MEADOWS. Yes, sir.

Senator RANDELL. And that is the important thing for the farmer to know, because frequently he is swindled through not knowing what his cotton is.

Mr. MEADOWS. Any intelligent man can come under the provisions of this law and protect himself.

Gentlemen, I have boiled my remarks down to the briefest possible time, but I am open to any questions.

Senator SMITH. You know this same thing came up once or twice before?

Mr. MEADOWS. It passed the House at one time, Senator, but failed to pass in the Senate.

Senator SMITH. Yes. I just want to ask this question: Have you ever thought of the feasibility of getting the cooperation of the several State governments looking to

the licensing of ginneries and having the bales sampled at the gin and the cotton itself stenciled or marked in such a manner as to identify the grade, like we do our fertilizer, and let it go out, thus obviating the necessity of sampling, and then if there arises a question the number of the bale and the location of the gin from which that cotton came could be identified, and then the arbitration could be had before the Secretary of Agriculture just the same.

Mr. MEADOWS. I have given thought to that very question, Senator, and I am free to say that it is an ideal situation. However, that would not be accomplished under the present measure.

Senator SMITH. I know it would not, but I was looking to that.

Mr. MEADOWS. There is one section of this bill—

Mr. FULMER. Section 10 gives the Secretary of Agriculture authority to cooperate with any State in working out this plan so as to do away with the unnecessary sampling of cotton.

Senator SMITH. I observed that. I believe I have mentioned it to you.

Mr. MEADOWS. You have mentioned it to me.

Senator SMITH. In the manner in which we put up our cotton, as Senator Ransdell knows, we cut a slice to get the samples, you have put the bale in such a condition that the truck hooks and the loading by the stevedores tear it all to pieces, so that when it gets to Liverpool it practically has no covering on it. My idea was, and has been for some time, to try to get the cooperation of the States with the Federal Government to have the cotton sampled right while it is going through the gin and the bale stenciled so that if any question arises it can be identified.

Senator RANDELL. You would have to have a representative at each gin in order to do that.

Senator SMITH. I know that.

Senator RANDELL. Staying there all the time and he would have to watch each bale, because each bale is separate and distinct from every other bale.

Senator SMITH. That is true, but it would be easier than doing it on the platform, because each bale has to be sampled somewhere.

Senator RANDELL. Yes, but unfortunately you have these country gins, which in the aggregate, turn out millions of bales, but some of which do not bale more than 10 to fifteen bales a day, and you would have to have a man there all the time and it would be very expensive, because he would necessarily have to be a man of high grade in order to make his certificates of any value.

Mr. MEADOWS. I might point out that Section 10 permits the Secretary of Agriculture to study the matter and work out a plan to remedy the situation. This measure does not remedy it, but something may be worked out that will help matters somewhat.

Senator RANDELL. Is there anything in this bill to permit us getting better covering of the cotton? That is one of the greatest troubles.

Mr. MEADOWS. That is outside of this bill. This is a classifying bill.

Senator RANDELL. I presume so. Can you tell me anybody who can possibly be injured by the terms of this bill unless it be the middleman, who wants to swindle the producers?

Mr. MEADOWS. I have been connected with all phases of the cotton business and I can not see how any farmer will be greatly injured or any department of the cotton trade greatly injured. I believe that the margin between the producer and the spinner will be decreased somewhat, but I believe that the safety of doing business will be correspondingly increased, so a man can afford to handle his cotton business on narrower margins of profit and still make a profit.

Senator RANDELL. But whoever is honest, whether it be middleman or spinner, gets protection under this bill.

Mr. MEADOWS. I think so.

Senator RANDELL. And only the fellow who is dishonest is injured.

Mr. MEADOWS. I think so.

Mr. FULMER. This will also tend to do away with so many buyers. The cooperative association can say, "We will send you so many thousand bales" and it would put the buyers in direct connection with the cooperative association.

I might say that the importance of the passage of this bill at this time is so as to take care of the present crop.

Senator RANDELL. It carries no appropriation, does it, for taking care of this crop?

Mr. FULMER. It is to take effect August 1, 1923, and it could go into effect for the next crop without appropriation.

Senator SMITH. The expense could be paid out of moneys not otherwise appropriated. As I understand it there will be reimbursement from the fees paid under the bill.

Mr. FULMER. Yes, sir.

Senator RANDELL. Is there anything else?
 Senator SMITH. All I can say now, acting as chairman in the absence of the Chairman, is that I will try to get this before a majority of the members so as to have a report.

Senator RANDELL. I think you can do that, and see if we can not report it out right away.

Mr. MEADOWS. Before I close, I have already appeared before the House Committee on Agriculture and I wish either to refer this committee to those hearings or else I would like to incorporate the paper that I read before the World's Cotton Congress in Liverpool on behalf of universal standards. It shows the ideal that the American cotton trade should try to accomplish.

Senator RANDELL. I move it be incorporated here.

Senator SMITH. Without objection, it will be done.

(The paper referred to, and the letters offered, are as follows:)

THE CAROLINA COTTON & WOOLEN MILLS CO.,
 Spray, N. C., January 5, 1922.

Congressman H. P. FULMER,
 House of Representatives.

DEAR SIR: Your letter of December 19, addressed to Marshall Field & Co., Chicago, regarding cotton purchases on Government standard classifications, has been referred to me for reply.

You are correct in your understanding that our cotton purchases are based on Government standard classifications.

Yours very truly,

W. G. MCCOLLUM,
 Manager Cotton Purchasing Department.

ALABAMA POLYTECHNIC INSTITUTE,
 Auburn, Ala., July 9, 1921.

Hon. H. P. FULMER,
 House of Representatives.

DEAR SIR: In pressing the passage of H. R. 6753—your bill to establish the use of official cotton standards of the United States in interstate and foreign commerce—you are working along lines in which we in Alabama are very much interested. So strong is the sentiment among Alabama farmers for the passage of such legislation that a corresponding bill was passed by the last session of the Alabama Legislature providing the exclusive use within Alabama of the official cotton standards of the United States. Other Southern States have the same matter under consideration and in some cases have passed the necessary legislation which will serve to make effective in interstate transactions in cotton the same procedure that your bill provides in regard to cotton entering interstate and foreign commerce.

In my opinion, there is sufficient argument for the passage of your bill in the fact that it will remove the present confusion brought about through the use by many firms of cotton buyers of arbitrary numbers or other private designations for cotton that the farmer offers for sale under the terms provided by the United States standards. It is well known that whenever there is confusion in market transactions through the use of different standards the seller, especially when he is a farmer, is the loser.

It should certainly tend to simplify foreign commerce for all American cotton to be sold on the basis of the American standards. I have no doubt that the European trade will readily adapt itself to the procedure provided in your bill, and will find this a means of facilitating foreign commerce and of reducing the clerical work in connection with foreign transactions. The reasons for the passage of your bill seems to me so obvious, and the objections to it so trivial, that I think further arguments are not called for in this letter.

Southern farmers and southern business men (with possibly few exceptions among those engaged in the cotton trade) are with you in the desire to see the adoption of the United States Official Cotton Standards as the sole measure of the grades of cotton, whether the transactions be interstate or foreign.

Yours very truly,

SPRIGT DOWELL, President.

THE STATE OF FLORIDA,
 DEPARTMENT OF AGRICULTURE,
 Tallahassee, Jun 22, 1921.

Hon. H. P. FULMER,
 Washington, D. C.

DEAR SIR: I write to add my indorsement of the effort to establish uniform cotton grades throughout the United States. Equitable transactions in cotton are impossible by the old arbitrary methods of grading, and standardization that is not compulsory is of little service.

We can not undo the evil that has been done in the past in this respect, but we are responsible for delay in thoroughly establishing these relative grades and forcing definite compliance therewith.

I can see absolutely no reason for honest opposition to universally established accurate and uniform grading.

Yours very truly,

W. A. McRAE,
 Commissioner of Agriculture.

C. M. BARNES,
 Marston, Mo., June 25, 1921.

Hon. H. P. FULMER, M. C.,
 Washington, D. C.

MY DEAR MR. FULMER: Our Missouri commissioner of agriculture has referred to me a copy of H. R. 6753, a bill to establish United States cotton standards act.

I have been pleased to re-read this proposed act several times that I might not fail to understand its purpose thoroughly and will say at the outset that I heartily indorse the proposed law in its entirety.

Only those persons, whose business activities bring them into constant touch with the handling of lint cotton do fully appreciate the value of establishing uniform standards for grading this greatest of American commercial crops. There surely can not be any serious opposition to the establishment of such uniform standards, for all commercial transactions in America whether spot or future, except from interests which either do now or expect to take advantage by substitution of grades of cotton lint to fill future contracts. I appreciate the fact the Department of Agriculture has long ago established standards for grading and I believe does authorize licensed graders, but an act requiring the use of such standards in all transactions involving cotton grades is now very desirable and in fact necessary to bring the system into universal use in America. I am sure foreign markets will cheerfully conform.

I am sir, yours very respectfully,

C. M. BARNES,
 Former Member Missouri Board of Agriculture.

STATE COLLEGE OF AGRICULTURE AND MECHANIC ARTS,
 UNIVERSITY OF GEORGIA,
 Athens, Ga., January 31, 1923.

Hon. H. P. FULMER,
 House of Representatives.

DEAR SIR: Your favor of the 24th instant inclosing copy of H. R. 6753 has been received. I have read the same with interest, and believe it should be passed in the interest of the cotton producers of the country.

With best wishes, I am, very respectfully,

ANDREW M. SOULE,
 President.

STATE BOARD OF AGRICULTURE,
 Oklahoma City, January 29, 1923.

Hon. H. P. FULMER,
 Member of Congress, Washington, D. C.

MY DEAR SIR: I have read your cotton-grading bill with a great deal of interest and take this opportunity of indorsing its provisions. Probably no greater injustice has been done the ordinary producer than that of grading his cotton.

I am wondering if you had placed a cooperative clause, cooperating with State graders, who carry Federal license, if it would not have helped promote the bill better?

Assuring you of my confidence in the plan and believing it a great forward step in cotton grading and marketing, I am,
Very truly yours,

J. A. WHITEHURST, *President.*

[Telegram.]

ST. MATTHEWS, S. C., January 30, 1923.

H. P. FULMER,
House Office Building, Washington, D. C.

Heavy work here prevents my going to Washington. Deeply regret inability to comply with your request as your bill is of greatest importance to cotton industry and trust same will pass without objection.

HARVIE JORDAN,
Secretary American Cotton Association.

OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE,
Stillwater, January 31, 1923.

Representative H. P. FULMER,
*Congress of the United States,
Washington, D. C.*

My DEAR SIR: I am writing to record my indorsement of H. R. 6753, on official cotton standards, a copy of which you recently sent me.

Very truly yours,

J. B. ESKRIDGE, *President.*

COOPERATIVE EXTENSION WORK IN
AGRICULTURE AND HOME ECONOMICS,
Clemson College, S. C., June 22, 1921.

Hon. H. P. FULMER,
House of Representatives.

DEAR MR. FULMER: Mr. Wannamaker has forwarded me your bill which you propose for passage to establish and promote the use of the official cotton standards of the United States. I have gone over this bill very carefully and beg to submit the following:

Regarding bill H. R. 6753, introduced by you in the House of Representatives June 1, will say that same meets with my hearty approval though would prefer if that portion of section 2, beginning on page 2, line 7, and reading "Provided, That nothing herein shall prevent a transaction otherwise lawful by actual sample or on the basis of a private type which is used in good faith and not in evasion of or substitution for said standards" was changed to read "Provided, That nothing herein shall prevent a transaction otherwise lawful by actual sample." My reason for this being that types are now very frequently used where grades could be stated and that it would be hard indeed to prove that such types were not used in good faith or in evasion of or substitution for such grades, as there are hardly samples from any two bales which are absolutely identical though they might be similar enough to have the same grade or grade value.

As you authorize the Secretary of Agriculture in section 6 of your bill, to establish such standards as are necessary there would be no object in members of the cotton trade or others having private types were all the standards necessary established, and I would prefer for section 6 of your bill to empower the Secretary of Agriculture to create or establish such standards as are necessary from time to time and such standards to become effective immediately upon creation instead of one year afterwards.

I have had occasion in the past to inquire of some of the trade their ideas of the Government standards now in effect and all have agreed that such grades as they cover they do so in a most satisfactory manner, the only objection made, and made in answer to practically all inquiries, was that there was no type to cover cotton grading between the "White" standards and the "Yellow tinged" standards. Such cotton, they claimed that graded between these grades is now recognized by the trade as "Yellow slightly spotted" and "Yellow light tinged." They believe that standards covering

such cotton would have been established prior to this time had sewer restrictions been placed in the way of their immediate establishments.

I consider your bill as it stands though a good, long step in the right direction and would like to see all cotton graded according to Government standards and that grade maintained from the farm to the mill.

Yours very truly,

W. W. LONG, *Director.*

DEPARTMENT OF AGRICULTURE,
Austin, Tex., June 4, 1921.

Mr. J. S. WANNAMAKER,
St. Matthews, S. C.

DEAR SIR: In receiving the reports of the jubilee convention of the American Cotton Association held May 31, in New York, I note that Mr. W. R. Meadows, technologist of the United States Department of Agriculture, advocated the idea of the adoption of uniform standards for cotton for America and foreign trade.

I presume you are familiar with the fact that through the efforts of the United States Department of Agriculture a few years ago, standards for our cotton were made practically the same as those obtaining for Liverpool; that is to say, the standards made for the United States were adopted by the Liverpool Cotton Association, popularly known as the Liverpool Cotton Exchange, at a conference of Cotton Exchange representatives held in Liverpool, June, 1913.

The standards there and then agreed upon were for white cotton only, but since that date the United States standards have been revised, eliminating the grades strict good ordinary and good ordinary white cotton, substituting therefor three-colored cottons; namely, strict middling, yellow tinged, good middling yellow stained, making in all 10 grades of the Government's tenderable list, said grades being the official types governing delivery of spot cotton on future contracts on both New York and New Orleans Cotton Exchanges.

The cotton exchanges at New York, New Orleans, Montgomery, Selma, Little Rock, Mobile, Augusta, Savannah, St. Louis, Vicksburg, Charleston, Memphis, Norfolk, Galveston, Waco, Houston, Paris (Tex.), Dallas, San Antonio, Fort Worth, and Oklahoma City, also the Cotton Buyers' Associations of Fall River, New England, and Texas, and the Cotton Manufacturers' Associations of North and South Carolina, have adopted the United States Government standards. One would draw the conclusion that after the cotton exchanges all over the country had adopted these standards that differences arising over cotton classification between buyers and sellers would be practically at an end, but regrettable to say the opposite obtains now in the entire Cotton Belt, more especially in Texas, and Oklahoma, as these two States have grown in late years a character of cotton popularly recognized as "bollies," because of its color, weather exposure, foreign substances, etc., the trade in these States ignoring gradation of low grades where any color is shown, taking them as "bollies," paying anywhere from 3½ to 5 cents a pound for them, when buying.

To illustrate let us say a grower offers a bale of cotton for sale, classing strict low middling tinge, taking a discount of 400 points off middling, that middling is quoted at 11½ cents, then the cotton offered would be worth, on correct classification, 7½ cents a pound. The trade here takes it as a "bolly," offering 4 cents for it, unless the cotton is good style strict low middling, when possibly it might go for 5 cents a pound.

I believe it is no exaggeration to say that 75 to 90 per cent of our cotton containing yellow, red, or blue color, goes into the channels of trade as "bolly" cotton. It goes on the market at whatever price the buyer and grower may agree upon, classification ignored.

I see but little use in a Federal or State standard for cotton, established for trade guides, if the trade can not be made to conform to accept it.

The more I see of the trade practices resorted to in Texas, the more I am convinced of the necessity for a national law making it mandatory for the cotton trade to use the United States standards in all spot cotton transactions. The Government has made their usage mandatory for delivery of spot cotton on future contracts on both the New York and New Orleans Cotton Exchanges, why not for the trade everywhere?

I am writing this letter for your consideration and asking at the same time that you use your influence and that of the American Cotton Association toward the southern Members of Congress urging passage of a law making the universal usage of the cotton standard types obligatory in all spot-cotton transactions, if you are in agreement with me on this question.

Should such a law be enacted, it must be conceded no one can be hurt in any cotton transaction financially, as both buyer and seller will have the same official guides.

If Liverpool does not establish standards coinciding with ours it will be an easy matter for the American cotton trade to translate our types to those of that market, as the trade has done for more than 50 years.

Believing I am right in the premises, I ask your consideration, your influence, and your help in getting a law passed as suggested above.

Awaiting a reply at your convenience, I am,

Yours very truly,

T. S. MILLER.

J. CLIFTON RIVERS,
STATE WAREHOUSE COMMISSIONER,
Columbia, S. C., February 9, 1922.

HON. H. P. FULMER,
Member House of Representatives.

DEAR SIR: Your letter of the 6th noted. I am heartily in favor of this bill and will send the samples just as soon as my cotton grader returns to the office, which will be in the next day or two. Will try to get these off promptly to you at that time. Sincerely hope this will go through and it will be a godsend to the farmer of the cotton-producing States.

Yours truly,

J. CLIFTON RIVERS,
State Warehouse Commissioner.

LOUISIANA STATE UNIVERSITY,
Baton Rouge, La., July 11, 1921.

HON. H. P. FULMER, M. C.,
Washington, D. C.

MY DEAR SIR: Those of us here who have read your bill (H. R. 6753), and who are more directly interested in what it calls for, are agreed that its passage would be of immense benefit to all departments of the cotton industry. It is to be sincerely hoped, therefore, that you may succeed in your endeavor to have this bill become law.

Very respectfully yours,

W. H. DALRYMPLE,
Dean and Director.

COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS,
University Station, Baton Rouge, La., June 23, 1921.

HON. H. P. FULMER,
House of Representatives.

DEAR SIR: A copy of your bill, H. R. 6753, is received and I wish to express to you my interest in such legislation and to say that the farmers all over the South are needing it now and have needed it for many years. It has been a well recognized fact for a long time that cotton buyers made a great deal of their profit by undergrading the staple and I believe that this law, as written, should pass. Its enforcement will undoubtedly be of great service in the grading and marketing of the cotton crop.

I trust that you will not meet with any difficulties in getting it through.

Very truly yours,

W. R. PERKINS,
Director of Extension.

AMERICAN COTTON ASSOCIATION,
St. Matthews, S. C., February 7, 1923.

HON. H. P. FULMER,
House Office Building, Washington, D. C.

DEAR MR. FULMER: I am inclosing you herewith a letter just received from Mr. William Ray, of New York, a man of many years' experience in the cotton trade and a strong defender of the cotton-growing interests. He fully indorses your bill for standardizing the grades of cotton, and I very sincerely trust the bill will be speedily passed and become a law. In whatever way we can assist, let me know.

With highest personal regards, sincerely,

J. S. WANNAMAKER,
President American Cotton Association.

DEPARTMENT OF AGRICULTURE,
Washington, January 17, 1923.

HON. G. N. HAUGEN,
Chairman Committee on Agriculture,
House of Representatives.

DEAR MR. HAUGEN: In reply to your request for a report on the bill (H. R. 6753) introduced by Mr. Fulmer and known as the cotton standards act, I will say that with one or two minor changes in its phraseology the bill has the general approval of this department. It has been suggested that the word "final" be inserted in line 10 of page 3 before the word "certificate"; and that in line 11 of the same page, after the word "determination," there should be inserted the words "shall be binding on all officers of the United States and."

The department is particularly interested in the sections which establish the official cotton standards of the United States as the legal basis of spot-cotton transactions in interstate and foreign commerce, and which provide also for the classification of any cotton of which samples may be submitted to officers of the department for the purpose. These two sections, if enacted into law, should effectively increase the use of the official cotton standards established under the cotton futures act. It is believed that the cotton producers will benefit very largely both directly and indirectly by the enactment of these provisions into law.

The department receives requests repeatedly from cotton merchants and others for the classification of spot cotton, according to the official standards of the United States. There is no authority at present, however, for such activities, except for the limited purpose of legalizing delivery on future contracts at New York and New Orleans. This inability on the part of the department to determine the classification of spot cotton other than that intended for delivery on future contracts operates to deter cotton merchants and shippers from making full use of the existing standards.

It is believed that the cotton trade is thoroughly in sympathy with the bill, with the possible exception of section 3, which provides for the examination and licensing of classifiers. If, however, on further inquiry by your committee there should develop any serious objection to this section, the department would agree to its omission. In such case a few modifications of the wording of subsequent paragraphs which refer to section 3 might be necessary.

With proper direction, it is thought that the administration of the act should be financially self-sustaining. An initial appropriation, however, will be needed to start the work. Section 12 of the bill as drawn authorizes the appropriation of such sums as may be necessary for administering the act, but if \$50,000 were provided at the outset it is thought that no further appropriation would be necessary. The experience of the department in establishing standards and classifying cotton for delivery on future contracts under authority of the United States cotton futures act should be of much practical use in the administration of this bill in the event of its enactment into law.

Sincerely yours,

HENRY C. WALLACE, Secretary.

UNIVERSAL STANDARDS FOR AMERICAN COTTON.

[A paper read before the World's Cotton Conference at Liverpool, England, on July 14, 1921.]

I. INTRODUCTION.

The subject which I present for your consideration is not a new one. In fact, the International Cotton Congress which was held at Atlanta, Ga., in 1907, unanimously passed a resolution favoring the adoption, either by the Government of the United States or by an association composed of representatives of cotton exchanges, cotton growers, and cotton spinners, of uniform standard types for grade and color of cotton of American growth.

Your attention is directed also to the meeting held in Liverpool on June 2 and 3, 1913, at which the idea was indorsed. At that time representatives of American cotton exchanges, European cotton exchanges, and spinners' associations recommended that the Liverpool cotton standards be modified in several respects, after which they should be adopted as international standards for grade for American cotton. The American representatives at this meeting stated that they would present the matter to their Government, and upon their return home actually did so.

In the latter part of 1914 the United States Department of Agriculture sent two representatives to Liverpool and other leading European cotton markets to urge the adoption by the cotton associations in such markets of a set of standards that had been proposed for adoption by the United States Government as the official cotton standards of the United States for grade of American upland cotton and thereby to secure the general acceptance in Europe and the United States of a single set of standards for grade. During the negotiations with the Liverpool Cotton Association in November and December, 1914, certain modifications were agreed upon, and the American appeal committee, the special committee, and the board of directors of the Liverpool Cotton Association approved the proposed standards as modified, but the association indefinitely deferred final action upon the matter. Following these negotiations the standards thus agreed upon were, on December 15, 1914, adopted as the official cotton standards of the United States.

Lastly, the subject of uniform classification of cotton was presented to the World Cotton Conference held at New Orleans, La., in October, 1919, by Mr. D. S. Murph, representing the United States Department of Agriculture, and the conference put itself on record as favoring the adoption and use of a uniform system of classification for American cotton.

II. IMPORTANCE.

The importance of having only a single set of standards for American cotton that shall be universally recognized and applied in the cotton trade has long been acknowledged and efforts to secure the consummation of that end have almost succeeded on at least two occasions, but still the common desire in this direction remains to be realized. That the adoption of uniform standards would greatly simplify the merchandising of cotton is admitted by all. Cotton known as middling in one place, for instance, should be known as middling throughout the world, and cotton of 1-inch staple should not mean one thing in one place and something different in another market of equal importance. These are specific instances which point to the great desirability of a common language in the cotton trade of the world.

Universal standards would not only simplify methods of handling cotton but would tend to higher standards of ethics in the cotton business. Knowing definitely what is expected of him, a shipper would be more likely to make serious effort to meet his obligations on shipments by supplying the grade and staple stipulated in the contract.

A most important advantage of universal standards would be the reduced number of arbitrations that are necessarily held in the cotton business each season. Having the same well-established standards in the hands of both European buyer and American seller would facilitate shipments in compliance with contracts, and therefore it would not be necessary for the purchaser of cotton to arbitrate shipments continually in order to collect claims for failure to ship according to specifications.

By establishing and using universal standards for American cotton, certain advantages will accrue to the producers of superior varieties of cotton. The world needs cotton of good staple, and spinners are anxious to encourage the production of superior varieties. With a single set of standards for classification established, it is natural that the higher prices which spinners pay for cotton of superior character and staple should be reflected back to the producer more readily than under the present methods, when both grade and staple standards are questions of uncertainty and controversy.

By the adoption of uniform standards throughout the world, trading on the future exchanges in both Europe and America will be more nearly on the same basis, future quotations would be more readily comparable, and better hedging facilities would result than when material discrepancies exist in the terms of the future contracts.

Practically all of the American cotton exchanges have passed resolutions indorsing the idea of uniform standards. Many of the leading American cotton firms have expressed similar views. Associations representing producers have likewise favored the establishment of a single set of standards. It may be stated, therefore, that the American cotton trade almost solidly favors the establishment of uniform standards.

The importance of uniform standards for American cotton can perhaps be no better demonstrated than by the citation of a few statistical facts. A reference to the Statistical Abstract of the United States, an official publication, discloses that during the calendar year ending December 31, 1920, exports of American cotton were valued at \$1,136,408,916; and for the calendar year ending December 31, 1919, \$1,137,371,252. Such figures establish cotton as the leading export commodity of the United States, and certainly the entire American people are concerned with the handling and marketing of a product which means so much to the economic welfare of their country.

Indeed an examination of the statistics for the 50-year period from 1865 to the close of 1914; that is, for the 50-year period of peace when marketing was normal, discloses that the total exports of cotton from the United States in round figures were

\$13,610,000,000. During the same period the actual net balance of American exports over imports was, in round figures, \$10,343,000,000. In other words, the one article cotton exported from the United States exceeded by \$3,267,000,000 the total net favorable balance of trade for the 50 years preceding the outbreak of the war in Europe. It should be borne in mind that nearly all of this \$13,500,000,000 worth of cotton was exported on contracts which called for arbitrations before a board of arbitrators, on which Americans did not have and still do not have a representative, and even the standard of classification itself is not well known by many American exporters. Certainly, as a matter of justice for those Americans engaged in the export cotton trade, an agreement on cotton standards should be reached in order to facilitate the handling on fair and equitable terms of the leading export crop of the United States.

I take it, therefore, that the importance and desirability of universal standards having been recognized in past conferences and by similar meetings of the cotton trade, it will not be disputed in the present conference, and that this representative body will lend its active support to the movement to secure universal standards and will take the initiative in finding a way for the accomplishment of that end.

III. DISCUSSION APPLIES ONLY TO STANDARDS OF CLASSIFICATION.

I desire to confine myself strictly to the consideration of the matter of universal standards of classification. I do not raise questions which, though important in themselves, are not strictly connected with the subject of standards and should be separately considered. The treatment of tare, country damage, loss in weight, and arbitrations, although of great importance, should not be included in the discussion of the important question of uniform standards.

It is doubtless unnecessary, but in order to avoid any possible misunderstanding, it may be stated that the adoption of universal standards would in no way prevent or interfere with the practice of European spinners in buying their supplies of cotton on mark or type. Under the proposed change they would be unhampered in following this method of business.

IV. PRACTICAL STEPS TO ACCOMPLISH THE END IN VIEW.

The end in view may be accomplished through the courses of action which I wish to present for your impartial consideration.

The simplest way, it seems to me, to bring about the establishment of universal standards for American cotton would be for the leading cotton exchanges of Europe to adopt the official cotton standards of the United States for American upland cotton as they now exist, since they have already been considered and approved by competent officials of the leading European exchanges. As here used the term "upland" includes all growths of cotton within the United States except sea-island, Meade, and American Egyptian or Pima. It is thought that there will be no question regarding the United States official cotton standards for determining length of staple, as that standard is a basic, descriptive one on which interested parties should find no difficulty in agreeing, inasmuch as character in cotton is not covered by these standards.

In this proposal to adopt the official cotton standards of the United States as the basis of the world cotton standards for American cotton, there is implied no criticism of any other standards, and the recommendation is made solely for sound practical reasons. They have the sanction and recognition of the laws of the United States, and that Government assures their accuracy. They became legally effective in 1915 and have remained unchanged ever since. They govern in all deliveries of cotton on all American future exchange contracts, and have been officially adopted by all important American spot cotton exchanges.

In addition, they are recognized in the laws of several of the States and American producers, merchants and spinners alike have found it desirable to conduct their business on the basis of these standards. The United States Department of Agriculture has unexcelled classification rooms and facilities and employs experts in cotton classification to enable it to maintain the standards unchanged and the proper application of the standards. By authority of Congress there is annually expended more than \$200,000 in the United States for these purposes, and for the dissemination of market information based upon these standards.

In advocating the adoption of the official cotton standards of the United States I do not contend that all of the present standards are perfect nor that some changes would not prove to be desirable or acceptable. If changes are desired by any important section of the cotton industry the United States Department of Agriculture will gladly cooperate in the task of determining proper modifications. It will do this because it is considered of the highest importance that the standards be practical in

application and universally recognized and used by growers, merchants, spinners, and others who are concerned in the handling of American cotton. I do not think, however, that the formulation and adoption of such modifications should prevent the immediate acceptance and use of the official cotton standards of the United States until such modifications shall have been agreed upon. It should be mentioned in this connection that the United States cotton futures act, the law which governs these standards, specifically requires that there shall be at least one year's public notice of any changes or revision of the standards and it might take considerable time and care to work out changes, if found necessary, which would be acceptable to all interests concerned.

But the United States Department of Agriculture seeks no advertisement or advantage for itself in this matter and is merely directing its efforts to secure the adoption of a single set of standards that will be universally accepted as a means of benefiting the cotton trade as a whole. It may be stated that the only standards at present in use in the trade in American cotton are the Liverpool standards, principally used in England and the Continent, and the official cotton standards of the United States which are commonly used within the country of production.

As a matter of fact, the variations between the Liverpool grades and the official standards of the United States for the grades of white cotton are such that they should be easily reconciled. An "entente cordiale" among producers, merchants, and spinners should certainly be worked out, and the set of standards thereby resulting should be accepted by all those interested and be put into universal use. Accordingly, I wish to suggest, in case objection is raised to the method which I have already presented for accomplishing the purpose, that this conference use its good offices to reconcile present discrepancies between the Liverpool standards and the official cotton standards of the United States, and thereby reach a common ground on the matter.

In this connection it is not amiss to say that Liverpool's distinction as to priority in the cotton trade is fully recognized. It is known that she is proud of and jealous of her reputation as a cotton market. It is not my desire to detract from or to impair in any way her prestige. But certainly with the wise leadership in matters pertaining to cotton usually displayed at Liverpool, the Liverpool Cotton Association will readily participate in an undertaking which has such far-reaching and beneficial effects on the cotton trade on both sides of the Atlantic as the question under consideration.

Accordingly, I propose for consideration and adoption by this conference a resolution to the effect that the official cotton standards of the United States, with such modifications thereof as may be determined upon, should be adopted and universally accepted as the sole recognized standards of classification of American cotton; and that a committee or committees of influential representatives and recognized experts of the cotton industry be appointed to cooperate with the Liverpool Cotton Association and the United States Department of Agriculture in taking the necessary steps at the earliest practicable date to accomplish this purpose, including the consideration and agreement upon any changes or modifications of existing standards that may be deemed necessary.

(The letter submitted by Mr. Fulmer is here printed in full, as follows:)

THE FIRST CAROLINAS JOINT STOCK LAND BANK,
MEMBER OF FEDERAL FARM LOAN SYSTEM,
Columbia, S. C., February 6, 1925.

Hon. H. P. FULMER,
House of Representatives.

DEAR HAMP: I have just reached your letter of January 29 inclosing me a copy of the bill introduced by you, and while I have not had an opportunity to examine it carefully, and will hardly have an opportunity to do so for some time, yet a hurried glance through it discloses what you are undertaking to do, and I feel sure that the passage of the bill would be of great service to the cotton trade in general.

You may recall when I introduced the cotton futures act many years ago I at the same time introduced a bill very similar to yours and which had the same general purpose in view. My recollection is that I did not go quite as far perhaps as you have gone in your bill, but I was dealing with a new thing at the time and the standards had not been so well established as they are now. I think you are fully justified, and if I were in Congress I would support the movement to compel the use of the standard for cotton shipped through interstate commerce.

* * * * *

With personal regards and best wishes, I am, your friend,

A. F. LEVER

(Whereupon, at 11.30 o'clock p. m., the committee adjourned.)

COTTON STANDARDS.

SATURDAY, FEBRUARY 24, 1923.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10 o'clock a. m., in room 224, Senate Office Building, Senator George W. Norris presiding.

Present: Senators Norris (chairman), Capper, Keyes, Gooding, Harrel, Smith, and Ransdell.

The CHAIRMAN. The committee will come to order. This meeting was called primarily for the purpose of hearing those who were opposed to the so-called cotton standards bill, a House bill, upon which we have had some hearings. Yesterday I talked with the Secretary of Agriculture about it and asked him to submit in writing his ideas. I have a letter from him and will ask the clerk to read it.

(The letter referred to from the Secretary of Agriculture is here printed in full, as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, February 24, 1923.

Hon. GEORGE W. NORRIS,

Chairman Committee on Agriculture and Forestry, United States Senate.

DEAR SENATOR: In response to your request for my views on H. R. 14302, known as the cotton standards act, I will say that the measure has been carefully considered and that the department is in full accord with its purposes.

There is obvious need of legislation of this kind to bring the official standards of the United States into general use. The desirability of legislation of this sort has been demonstrated by the practical experience of this Department and the needs of the cotton industry. It does not seem unreasonable to ask that cotton producers and the cotton trade be afforded some of the advantages that grain producers and the grain trade now enjoy.

I should be very much gratified if this measure could be enacted into law at the present session of Congress.

Sincerely yours,

HENRY C. WALLACE, Secretary.

The CHAIRMAN. We are now ready to hear those gentlemen present who desire to be heard.

STATEMENT OF EDWARD M. WELD, NEW YORK.

The CHAIRMAN. Where do you reside, Mr. Weld?

Mr. WELD. New York.

The CHAIRMAN. What is your business?

Mr. WELD. Cotton merchant.

The CHAIRMAN. You are familiar with this bill we are considering?

Mr. WELD. To a certain extent; yes.

The CHAIRMAN. We will be glad to have you give us your ideas about it. Go on in your own way.

Mr. WELD. I appear here, gentlemen, because, as a member of the New York Cotton Exchange, this bill H. R. 14302 happened to be brought to my attention. I think I am one of the few in the cotton trade in the United States who is even aware of the bill's existence.

My appearance here is not so much in opposition to the general idea of the bill, but to the fact that such an important bill should be rushed through in the closing days of a session of Congress without giving an opportunity to the cotton trade of the world to be heard upon it.

The CHAIRMAN. Now, Mr. Weld, I have lots of sympathy with that idea. I think we all realize that in a short session if we get anything through it has got to get through in rather a rush. That is not a fair way to legislate; we must all concede that; but under our Constitution this Congress will expire on the 4th of March. The Senate has passed a resolution, and the House committee have favorably reported on it, to amend the Constitution, and if that amendment is adopted we will not have any such thing as a short session of Congress. That is an unsatisfactory way to handle matters, and the Senate finds itself almost unable to do business because of things that are pending in the Senate and on account of the shortness of the session; but we will have to do the best we can under the circumstances.

Mr. WELD. It seems to me, if I may be pardoned for expressing this idea, Senators, that it is not a square deal to force this bill through without giving the reputable cotton merchants and the cotton trade of the United States at least an opportunity to review it.

I have had no opportunity even to go carefully over the testimony at the hearing that was held, I believe a week ago, on Saturday, but I have read, through the courtesy of Senator Norris, a part of that testimony here this morning, and I notice on page 22 of that testimony that Senator Ransdell asked Mr. Meadows something to this effect in a question, that nobody but the dishonest middleman or merchant would be hurt, and Mr. Meadows's reply was, "I think so."

In view of the position of myself and of several others whom I have been unable to get here, I should like to be permitted to ask Mr. Meadows if he still adheres to that statement.

Senator RANSDALL. Having asked that question, I would like to join you in requesting that Mr. Meadows answer it. I asked that question seeking information. I always try to find out who is opposed to measures presented here, if there be any opposition, and always try to ascertain whether or not the measure contemplated will injure any fair-minded, honest man, and the impression which I got from Mr. Meadows's testimony was that it would be only some person who is not disposed to deal fairly and justly who would be injured by it. That was the purport of my question.

The CHAIRMAN. In order that we may proceed in a more orderly way I would suggest that Mr. Weld go on in his own way and when he gets through Mr. Meadows can take the stand and be questioned either by Mr. Weld or any members of the committee.

Senator RANSDALL. That would be satisfactory to me, Mr. Chairman.

Mr. WELD. Gentlemen, I think I have expressed myself sufficiently forcibly about the injustice to the cotton trade that the passage of this bill at this session would inflict.

Senator RANSDALL. Tell us why. That is simply an opinion of your own; unless you tell us why it don't go very far with the average Senator, I might say.

Mr. WELD. I will do so, Senator, because there are several features of the bill in my opinion which will work—

Senator RANSDALL. That is exactly what we would like to know.

Mr. WELD. A great injustice where they are intended to work justice.

Senator SMITH. Just point those features out.

Mr. WELD. I will do so, sir. The bill makes it unlawful to sell cotton excepting it be described in the terms covered by the standards set up by the Department of Agriculture or else of approved types.

Now, I should say that for fifty or seventy-five years it has been the custom in Great Britain and France and the rest of the Continent to sell cotton named in other ways than our grades are named, and if this bill becomes a law the exporters of the United States will not be able to offer to sell cotton to their foreign customers excepting in terms prescribed by this act; they will not be able to do business with their foreign customers in terms that their foreign customers have always been used to doing business in.

Senator SMITH. Let me ask you right there. If you were to buy under the American classification and wanted to sell to your foreign purchaser under, let us say, the Liverpool classification, you would know the equivalent type in American classification and so notify him, so that you would be guaranteeing that the classification that you would be compelled to sell to him under the law would be the equivalent of the classification that he would receive, and of course you and he would settle any incidental differences that might occur; but I do not see wherein it would estop you from selling him in strict accordance with the terms of this bill, just as we have exchange to-day in pounds, shillings, and pence of English money, and we transact our business in terminology of English standards, and they understand immediately its equivalent.

Senator RANSDALL. You mean we transact it in terminology of American standards, and that the English understand the equivalent?

Senator SMITH. Yes, that is what I mean. I do not see where there would be any great hardship, especially in view of the fact that we are the predominant cotton producers of the world and have a greater interest in it than anyone else. It seems to me the standards should be fixed here rather than by those who do not produce it.

Mr. WELD. Well, if you will allow me, I will point out where I think the damage is going to be done to the American cotton trade.

Senator SMITH. All right, sir.

Mr. WELD. I take it you will admit that if this bill becomes a law it will be unlawful for Stephen M. Weld & Co. to offer to John Jones, a spinner in Lancaster, a hundred bales fully middling.

Senator SMITH. The fully middling is the Liverpool classification?

Mr. WELD. Yes.

Senator SMITH. All right, you have the equivalent of that—

Mr. WELD. I do not think that is quite fair to me. I ask if I am not right in assuming that it would be unlawful for Stephen M. Weld & Co. to offer to John Jones, of Lancaster, a hundred bales of fully middling.

The CHAIRMAN. How would you have to offer it under this bill?

Mr. WELD. I should have to offer it as a hundred bales of American Standard middling.

The CHAIRMAN. Wouldn't that term be understood by your European correspondents?

Mr. WELD. It would be understood by the Liverpool cotton merchant; it would not be understood by the Lancaster spinner.

The CHAIRMAN. Why wouldn't the spinner understand it, Mr. Weld?

Mr. WELD. The spinners in Lancashire are a different class of men from the spinners of the United States. They are men who conduct small units as a rule; many of them have risen from the superintendent class to the heads of their small spinning plants and they are accustomed to using fully middling and won't use anything else. I want to make my point plain. I think this, that I am compelled to offer 100 bales of American standard middling, and if I offered it to the spinner in Lancashire directly he wouldn't buy it from me because it is not what he has always bought. But he will buy it from his Liverpool merchant, who is willing to run the risk and who is willing to translate American standard middling into Liverpool fully middling, and the result will be, in my opinion, if this bill does pass, that you will force the small exporter in America, who has established a trade with the Continent and with Great Britain, to surrender the direct sale of his cotton to the various spinners on the Continent and in England to the British or continental firms. In other words, these British and continental merchants will sell cotton direct to the spinner on his terms in his own terminology and will proceed to buy that cotton from American merchants in accordance with the provisions of this bill, who will know enough to run the risk of translating a hundred bales of middling into a hundred bales of fully middling Liverpool, Havre, or Bremen.

The CHAIRMAN. Then your statement is, as I get it, Mr. Weld, that the effect of the bill will be to put a middleman in between you and the spinner?

Mr. WELD. Exactly.

The CHAIRMAN. Who would have to get his commission.

Mr. WELD. His commission or a profit.

The CHAIRMAN. I am interested to know whether the spinner, knowing that, or discovering that a new law had been enacted here, where the cotton was produced, a new method of standardizing cotton, would not familiarize himself at once with the new standardization in order that he might buy direct and save the cost of another middleman. Don't you suppose he would soon adapt himself to the new situation?

Mr. WELD. Knowing the conservatism, if you choose to call it that, of the British and European spinner, I do not think that he would.

Senator RANSDALL. Let me ask this question: Your firm is very well known in the cotton business and fairly reliable, if I am credibly informed, and you would sell that spinner in England a hundred bales of fully middling, or the equivalent at the present time, and under this bill, I believe you said, you would sell him—

Mr. WELD. Middling.

Senator RANSDALL. Middling. Now, at the same time you sell that man middling you will give him a guaranty that middling means fully middling, and he would accept your guaranty on it, it seems to me, as long as he is dealing with a fairly responsible firm. I can not see why you need the middleman at all. He is dealing with you because he believes that you always live up to your contracts, and when you tell him that you are going to give him fully middling, although the American standard says "middling," why I imagine he would very quickly accommodate himself to the standard and take your guaranty. Isn't that a fair statement of it?

Mr. WELD. But the bill prevents my making that guaranty, as I read it.

Senator RANSDELL. I don't think it is intended that way.

Mr. WELD. On page 2, line 3, it makes it against the law, where it says, "For any person to indicate for any cotton a grade or other class which is above or within the official cotton standards," etc. Under that I could not mention fullymiddling to the British spinner.

Senator RANSDELL. I do not think the bill intends anything of that kind.

Mr. WELD. It says so.

Senator RANSDELL. You sell him a hundred bales of middling cotton and you can say to him in your letter that the description is equivalent to the English fully middling, and there is nothing in this bill that would prohibit that, and if there is it ought to be amended.

Senator SMITH. What this line means there is that you are selling it primarily on another basis than the standard basis, not that you can not say that this classification is the equivalent of the classification over there. You can tell him what the standardization here is and that the equivalent over there is fully middling.

Mr. WELD. Well, I regret that I apparently do not understand English "as she is wrote." If that does not prevent me from mentioning fully middling to the spinner in Lancashire, then I can not understand what the bill does mean.

The CHAIRMAN. Just read the language that you think is objectionable. You will notice it starts on page 1.

Mr. WELD. Do you wish me to read section 2?

The CHAIRMAN. Use your own judgment about reading it. I want to make the point clear to the committee.

Mr. WELD. "That it shall be unlawful," and then I will skip over, "in any classification for the purposes of, or in connection with the transaction or shipment in commerce after this act shall be come effective, for any person to indicate for any cotton a grade or other class which is of (or) within the official cotton standards of the United States then in effect under this act by a name, description, or designation or any system of names, description or designation not used in such standards."

Senator SMITH. That is assuming the sale under some standard outside and distinct from the standards herein enumerated. But if you say to me that "I am selling you middling and I will guarantee it will classify up to fully middling," you have complied with the law.

Senator GOODING. It prescribes standards which they can not go beyond. This means that you can not give a false description of the cotton; that is what it means.

The CHAIRMAN. I am not a cotton man, of course, and do not claim to be, but I do not believe that you are right in your construction of that. You would have the right, I take it, under the section that we are now considering, to state that it was of a certain grade provided for in this bill, and you would be able to state also, without any violation of the law, that that grade was the same as some other grade under some other method of standardization, and that you guaranteed that it was equal to that grade.

Mr. WELD. In other words, you think it would be lawful for me to cable a spinner and offer him a hundred bales of American standard classification middling?

The CHAIRMAN. Yes.

Mr. WELD. Which I would thereby guarantee to be the same as fully middling?

The CHAIRMAN. Yes.

Mr. WELD. You think that would be legal?

The CHAIRMAN. I certainly would not favor any law that would prevent that.

Mr. WELD. I bow to you gentlemen, but I do not read the second section of the law in that way.

Senator KEYES. Can you suggest some wording there that would accomplish what the bill seeks to do, and at the same time would not prevent you from doing what you want to do?

Mr. WELD. No, sir; I could not, because I think the bill does attempt to accomplish exactly that thing, and I think that Mr. Meadows intends that it should accomplish it. Senator KEYES. Would not the foreign buyers be just as familiar with our standard as they are with their own standards, and when you call that a certain standard here wouldn't they understand exactly how it compares with their standard of cotton, if it is different from ours?

Senator SMITH. Just as it is in the the exchange, in pounds, they all know what the equivalent in dollars is.

Senator GOODING. This gives you the protection, as I see it, that you are trying to get. Isn't that right, Senator Smith?

Senator SMITH. That is right.

Senator GOODING. It is clear to me

Senator SMITH. Mr. Weld, the committee is attempting to get a uniform standard, just as we have it in inches and yards and feet. There has been an attempt made as you know to have us adopt the metric system as contradistinguished from our system, but we all know that we have had for years a standard of measurement here that is easily convertible into the standards of other countries, and I think it is especially applicable here when we produce the major part of all the cotton of the world that we should make the standard ourselves, because if we follow the standards of others it confuses the people who are producing the cotton as to just what they are selling. Now we have in our own country different classifications and different exchanges. Augusta will have one, Savannah another, Charleston another, and perhaps New Orleans another. You will pick up the paper and see a quotation on cotton in one market and the same class quoted differently in another market. Now I think we are entitled to have a standard of measurement that will measure the same class of cotton in the same terminology in every market in America.

Mr. WELD. I quite agree with that, Senator Smith. I would not oppose this bill at all if that was what it attempted to do. I quite agree with you that it would be a very good thing if a law could be passed that would force a standard of classification all over the United States. It does, as a matter of fact, practically exist; that is to say, if Augusta middling is different from United States standard middling the Augusta merchant knows perfectly well when he sells a grade of middling to be shipped to a mill in Massachusetts that he can not ship Augusta middling. I quite agree with you that if this bill attempted to provide one standard classification for American cotton it would be an excellent thing, but when it attempts to go one step further and preclude people in this country from doing business with the Continent and with England in the way in which it has always been done before, because the Continent and England demand that we shall sell on their terminology and not on our own, I think you are running a very serious risk of depriving the exporters of this country from the ability to export cotton directly to the spinners, an ability they have heretofore had.

The CHAIRMAN. Your idea, I take it, then, would be that this law would have no application to foreign shipments?

Mr. WELD. I think that would remove an objection.

The CHAIRMAN. But why doesn't that argument apply to the spinner in Massachusetts as well as the spinner over in the other country who has been used to buying a different grade?

Mr. WELD. Oh, but he is not used to doing that.

The CHAIRMAN. He hasn't bought on the grade proposed here because it is a new one?

Mr. WELD. Yes; he has bought that grade.

The CHAIRMAN. As I understand the cotton trade, as Senator Smith has suggested, there are various grades in different localities in our country, and this would bring them all to one grade. If there are different grades in different localities then the buyers are certainly buying different grades; they are not buying the same grade—

Mr. WELD. The millers of the United States generally, almost without exception, buy the United States standard description of American cotton. Now, I object to this bill on another ground, and that is that it does not state what the grade or grades are contemplated to be set up as standards. I think the bill should be specific on that point.

Senator SMITH. I think that grows out of the fact, Mr. Weld, that this standardization, though in the main being based upon the classification of cotton that has obtained for years and years, yet there is a field in which they are operating, both as to staple and as to other elements of foreign matter, and from time to time they are adding to and subtracting from these different types of grade, and the bill provides that the Secretary of Agriculture shall, from time to time, promulgate what are the standards as he discovers a fixed type that is necessary to classify, and for that reason it would not be, at this stage of the development of the grading of cotton, wise, it seems to me, to fix in the bill the names of the grades, thereby making them obligatory upon the Secretary of Agriculture, but to fix it so that when the grades are fixed by the department the trade shall be notified as to length and other elements that enter into and constitute that grade, so that my opinion would be that it would be proper now to fix certain basic grades that could be changed. You will remember we eliminated from the delivery of future contracts certain grades and allowed certain grades to be tenderable. That, of course, does not apply to spot cotton, to the spot merchant. You can sell to the merchant a grade that is not tenderable under a future contract—

Mr. WELD. I am quite familiar with that, Senator.

Senator SMITH. It seems to me that we have practically standardized now the grades that we have been using almost from time immemorial, and if any appreciable

change should be made in the grades by the Secretary of Agriculture, the trade would be notified in ample time so that they would accommodate themselves to those new grades.

Senator GOODING. This bill proposes that we shall have one grade of certain classes of cotton?

Senator SMITH. Yes.

Senator GOODING. Recognized by everybody.

Senator SMITH. Yes.

Senator GOODING. That you have never had—

Senator SMITH. No.

The CHAIRMAN. I might suggest, gentlemen, because Mr. Weld's time is limited, that we do not interrupt him.

Mr. WELD. Senator Smith, you know that we have what are known as full grades, direct middling, and the next full grade above that is good middling.

Senator SMITH. The next full grade?

Mr. WELD. Strictly middling is a half grade. Formerly we were allowed to deliver on contracts fully middling of the American class, which is half way between strictly middling and middling, and we were also allowed barely good middling, which is half way between good middling and strictly middling, until we finally had from middling to good middling five different grades. The Department of Agriculture has no standard for fully middling at the present time, and no standard for barely good middling. If this bill is going to benefit the farmer by allowing him to know and giving him an opportunity to know what his grades are, unless the Department of Agriculture goes back on itself and establishes these quarter grades, as we call them, and issues types for them, yet on a hundred bales of fully middling that the farmer brings in, he is not going to get a classification of strict middling, but a grading of middling.

Of course the spinner will be satisfied, although he is getting on some of that delivery a quarter grade lower than he should get, but by no possible chance could the farmer gain in having his fully middling graded as strict middling. Whereas if the farmer goes to the merchant and sells his cotton—and I have found that the vast majority of merchants in the South are honest—they give the farmer a fair price for his cotton and class it correctly; but he is deprived by this bill—I won't say he is deprived, because he is not—but if he takes advantage of this bill I think he is more likely to be hurt than helped.

Senator SMITH. In reply to that I might say in my opinion that there is not really a commercial or actually intrinsic difference between quarter grades. I had a test made, with which you are familiar, of tensile strength, bleaching qualities, etc., of the different grades, and we found that even differences between the full grades didn't exist.

Mr. WELD. Well, the only answer I can make to that is that it is quite possible, although I can not concede it, that there is no difference in spinning value between middling and fully middling, but there is certainly, and always has been, in my career of 30 years as a cotton merchant, a difference in market value of those two grades.

Senator SMITH. That is true.

Mr. WELD. Now, gentlemen, I have taken a great deal of your time, and in order to show you that there are some merchants that are not dishonest, but who oppose this bill, I would like to submit several telegrams.

The first is from Alexander Sprunt & Son (Inc.), addressed to Samuel Hubbard, Hotel Washington, Washington, D. C.

"We regret that it is not possible for any of us to meet you in Washington. We think it would be very inadvisable for Congress to pass the bill regulating conditions under which cotton sales would be made to Europe as all of the exporters are having a great deal of difficulty in putting business through and can only do so by giving unusual assistance to European spinners. Therefore, any change in the present conditions would only retard business still further. If desired we will wire our Representative from this district to oppose the bill in question. Please advise if we can be of further assistance.

"ALEXANDER SPRUNT & SON (INC.)."

Now, I think, Senator Smith, that you will recognize the signer of this telegram and know that he is not a dishonest merchant. Mr. Wade Cochran. He wires me as follows:

"Regret Walter's absence and important business here to-morrow make it impossible for me to leave. Think passage of bill would be bad for trade, but don't believe much chance passing Senate this session. If anything can do from here please advice.

"WADE COCHRAN."

Now, gentlemen, I have only one thing to say in conclusion. I think my strongest objection to this bill is that the cotton trade has not been allowed to discuss it and they have not been given a fair chance to consider it.

I thank you.

The CHAIRMAN. Is there anyone else here in opposition to the bill?

Mr. HUBBARD. Yes, Mr. Chairman.

STATEMENT OF SAMUEL C. HUBBARD, JR., NEW YORK CITY.

The CHAIRMAN. What is your business and residence, Mr. Hubbard?

Mr. HUBBARD. I live in Yonkers and my business is in New York City. I am a cotton merchant and broker. My principal objection to this bill is that it is not known among the trade and that the trade as a whole has not had an opportunity to study it and to see what the features of it are. Speaking personally, I am always in sympathy with anything that will improve conditions in the cotton trade.

Senator HANDELL. Will you define what you mean by "the cotton trade"?

Mr. HUBBARD. Well, the spinners—let me begin at the beginning, the farmer, the merchant, the interior country merchant, the banker who finances those interior country merchants, the spinner, and the shipper of cotton. That could be done by cooperation and careful consideration of the bills that are presented. Each one of these men has his point of view on the question of the movement of the American cotton crop, and I feel that those gentlemen, who I am sure did not know about this bill, should be given an opportunity to get together with gentlemen who are advocating the bill and see where the good points are in the bill and where possibly the weak points are in the bill and from that produce something which will be mutually satisfactory and mutually beneficial.

The cotton industry of the world is a very delicately balanced piece of machinery, a very delicately balanced piece of machinery, and anything that comes suddenly, and, you might say, to use a slang expression, throws a club in the wheels, is bad for the trade. I believe if this honored body would postpone action on this bill until another session and give the cotton trade of America a chance to come here to Washington and in quiet session and friendly discussion work on this bill that we might produce a bill which would accomplish the object that is sought to be accomplished without having the danger of placing something on the statute books which becomes a law—and, gentlemen, we are bound by law; we can not interpret the law; the courts must interpret the law. You might say that you interpret this in a way you allow us to send along a description showing that the grades are the same, but the district attorney for the United States might have a different point of view. We might send a cable, as suggested by the honorable Senator, and the United States district attorney for the southern district of New Orleans or Texas or South Carolina might get hold of that cable and say, "Why, these fellows have broken the law; we will just have them arrested." Now, we do not want to be arrested. We want to abide by the law and we want to know just where we can come within the law, because we can not interpret it ourselves. The courts must interpret it.

Now, I know that you gentlemen want to get over to the Senate, that the time is approaching when you want to be there, and I will only say that I do not think this is a bad bill by any means, because anything that will help the trade I believe is good.

The CHAIRMAN. When did you first hear of it?

Mr. HUBBARD. On the 15th or 16th of February.

The CHAIRMAN. This month?

Mr. HUBBARD. Yes; a day or so after it passed through the House. I thought, with the congested condition of the calendar here that probably nothing would come of it this session. I did not believe that the honored United States Senate would pass a bill affecting the entire cotton trade, within such a short time, and as I said before, I only ask you gentlemen to please postpone it until the next session and give us an opportunity to get the people here who are interested. When it first came up I said we must get somebody from Memphis and Dallas and tell them about this and see if they do not want to come to Washington, but then we looked at the time-tables and saw that they didn't have a chance to get here.

Senator KEYSER. Do you happen to know whether any hearings were held on this bill in the House?

Mr. HUBBARD. I didn't hear of any until I heard that this one was to take place. I did not know of any other. However, I have had the grip and that might explain why I did not hear about it.

Of course, a great many of the men who would like to be here are not so fortunately situated as Mr. Weld and myself, who can get down here overnight. But this is quite a serious matter to the men who live in the South.

Senator RANSELL. When was the hearing in the House?

Mr. FULMER. This bill was introduced in June, 1921, and representatives from the Cotton Exchange of New Orleans were here and testified. We have had two or three hearings in the House.

Senator RANSELL. When were those hearings held, Mr. Fulmer?

Mr. FULMER. Two or three weeks ago.

Senator RANSELL. The bill was introduced in 1921?

Mr. FULMER. June, 1921. The New Orleans Exchange stated that they had no objection to the bill; that they thought it would protect the cotton merchants.

Senator RANSELL. I would like to state here that I have never heard from the New Orleans Cotton Exchange or any of my friends in Louisiana about the bill.

Mr. FULMER. Doctor Aswell had a telegram from Louisiana for the committee stating that they had no objection to the bill.

Mr. HUBBARD. I really think that we would get better results and accomplish more by postponing action on this until the next Congress and allowing the people in the trade to get together in a spirit of friendliness. That is a perfectly possible thing. They could get together and discuss the details of the bill and the various sections of it; the good points and the bad points. I thank you, gentlemen.

The CHAIRMAN. If there is no one else here in opposition to the bill, suppose we hear Mr. Meadows.

STATEMENT OF MR. W. R. MEADOWS.

The CHAIRMAN. To get to the point in which the committee are interested, do you still have the same idea about the bill that you expressed the other day when you appeared before the committee?

Mr. MEADOWS. I do, Senator. May I answer Mr. Weld on that question?

The CHAIRMAN. Yes.

Mr. MEADOWS. I refer to the statement he made with regard to Senator Ransdell asking me a question the other day. I believe that Senator Ransdell and I had our minds to meet on the question. Senator Ransdell had in mind the practice of some cotton buyers of buying from the farmers at one grade and selling at another. I still think that that is a practice that is quite common in the cotton business, and to that extent and in that sense only might it be considered dishonest. I did not mean to impute dishonesty to anyone who disagreed with me on this bill. Certainly no man had a higher regard for Mr. Weld and his opinions than I have and I did not intend to reflect on him or on his firm in any way. But I do think that the practice of buying cotton from the farmer at one grade and selling it to somebody else at another grade is reprehensible if not dishonest.

The CHAIRMAN. I would like to have some information, if you have it, about what notice the cotton people had of the pendency of this legislation. Do you know anything about that?

Mr. MEADOWS. This bill was introduced in Congress on the 1st day of June, 1921.

Mr. FULMER. That is correct, Mr. Meadows: it was the 1st day of June.

The CHAIRMAN. Of course the introduction of the bill would hardly be notice to anybody.

Mr. MEADOWS. The hearings were held before the House committee two or three weeks ago. I don't remember the exact date, but I think it was three weeks.

The CHAIRMAN. Did anybody appear there in opposition to the bill?

Mr. MEADOWS. No one against it, and only a few appeared for it; but Mr. Fulmer introduced a number of letters from college presidents, State departments of agriculture, cotton mills, and there was one buyer for a cotton mill that I happen to remember whose letter was introduced at the hearing. This bill has been before the cotton trade, Senator, because in June of last year there was a meeting of the cotton men here in Washington to revise the official cotton standards of the United States. Mr. Weld was invited to that meeting, and he did not attend. There were other members of the New York Cotton Exchange at that meeting, and the features of this bill were discussed with that collection of cotton merchants. There were two or three men from the Department of Agriculture present, and it was our conception, and I believe the sense of that meeting, that they approved in general the terms of this bill. Mr. Weld could have been present at that meeting had he cared to be, because I sent him an invitation to be present.

Senator RANSELL. Was that held for the purpose of discussing this bill?

Mr. MEADOWS. Not for the purpose of discussing the bill, but for the purpose of discussing the changes in standards.

Senator RANSELL. And among other things this bill was considered?

Mr. MEADOWS. And among other things we were considering the purposes of this bill.

Senator RANSELL. That was in June, 1922?

Mr. MEADOWS. Yes; June 20, 1922. This has also been discussed by members of the Department of Agriculture who have traveled among the cotton men.

I think that is all, Mr. Chairman.

The CHAIRMAN. We will continue this hearing at 2 o'clock this afternoon.

(Whereupon, at 11 o'clock a. m., the committee recessed until 2 o'clock p. m. of the same day.)

AFTERNOON SESSION.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

Present: Senators Norris (chairman), Keyes, Norbeck, and Ransdell.

The CHAIRMAN. I believe Mr. Meadows wanted to be heard.

Mr. MEADOWS. Mr. Chairman, I am at the disposal of the committee. They can use me as a direct witness, or they can use Mr. Weld, who is from out of town, and get his testimony, and can hear me later, as I can appear at any time. Whatever you want, or whatever suits the committee, is agreeable to me.

The CHAIRMAN. Mr. Weld is here, and he wants to be heard.

Mr. MEADOWS. He is a New York man.

Senator RANSELL. Mr. Weld, I think, indicated that he wanted to ask you two questions.

Mr. WELD. In fact, Senator, I will confine them to one question.

Senator RANSELL. All right.

Mr. WELD. I think I made it sufficiently obvious where my objections were to the bill and what they were, and I wanted to know about whether or not, according to the paragraph of the act, to take a specific case which I suggested to you, it would not be possible for me to offer 100 bales of American middling cotton to a Lancashire spinner and guarantee to him in that offer that it would be equal to fully middling, Liverpool standard.

My question to Mr. Meadows is this: I should like his opinion as to whether he agrees with me in my contention or not.

Mr. MEADOWS. Mr. Chairman, in reply to the question, I wish to state first that I am not a lawyer and what I say will be just the views of a practical cotton man.

Mr. WELD. That might be better.

Mr. MEADOWS. I am of the opinion that the direct offering of cotton to any European spinner on any other standard than the official standard of the United States would be at variance with the act, and consequently I am of the opinion that if Mr. Weld should offer fully middling—that not being a term contained in the United States official standards—that he would violate the act.

But I would like to go further, and I would like to point out first that Mr. Weld has stated to you that he does business direct with English spinners, and that he said it would be necessary to introduce a third person into the transaction if this bill should pass, and I wish to call your attention to the fact that I have here the Liverpool Cotton Association membership list, and on page 22 of that I find there is listed the firm of Weld & Co., of which Mr. E. M. Weld is listed as the first member. Mr. Weld, I believe, has already told you that he does the bulk of his English business through his Liverpool house, and not directly from New York, as he would have it appear by the questions he asks. In other words, he has already introduced the third party to the transaction.

Senator RANSELL. That answers the question, I think. May I ask a question?

Mr. WELD. No; it does not.

Senator RANSELL. I will yield to you in just a moment. I want to ask a question. As I understand Mr. Weld's proposition, as it has been brought out in several questions, it is, if he sells this cotton to an English spinner as middling cotton and at the same time should write him that that middling was the same as fully middling, and that he would guarantee it to be fully middling, but describe it under the American standards as middling, would that be a violation of the law?

Mr. MEADOWS. I would answer that yes; or rather, I would put it in this way, that that is a part of the contract and that it would be at variance with the purpose of this law. But, when you get into a legal argument, you are getting out of my range. I think that perhaps that would be a violation of the spirit of the law, because, if you send a letter with the contract, accompanying the contract, in which certain things are said, I think that letter would be construed as a part of the contract. That is my answer, definitely, Mr. Weld. I think your proposal would be a violation of the spirit of the law.

Mr. WELD. Yes; you have answered my question, Mr. Meadows, and I think that you absolutely bear out my contention.

Now, as to what you say with regard to companies in Liverpool, I want to say—you can laugh at me if you want to—but I am appearing here absolutely unselfishly. I am a member of one of the firms, because I have a Liverpool office that can absolutely ignore this law, and because I have a Liverpool office I can offer from my Liverpool office cotton direct to the spinners in Lancashire, or anywhere in Europe, and sell them on their own terms, and they will buy it from me knowing that when they order from me American middling we will be able to sell them fully middling; but the small exporter in the South who has not got a Liverpool office can not do that same thing.

The big houses, or American houses of comparatively large standing, can buy on American standards and sell to the actual consumer on Liverpool standards; but, the small man in the South can not do it.

I think you have made the best argument, Mr. Meadows, against the passage of the bill by bringing out the fact that the European and other people can do it, but the Americans can not.

Mr. MEADOWS. I am simply stating facts, as I see them, Mr. Weld.

Mr. WELD. Yes.

Mr. MEADOWS. I am not arguing—I am arguing for the passage of the bill, and I see no reason to change my position on the subject.

Senator RANDELL. While on that subject, Mr. Meadows, would it be advisable to make an amendment which would permit a thing of that kind without violating what we are trying to accomplish by this law?

Mr. MEADOWS. It would violate what we are trying to accomplish, Senator, if you give Mr. Weld what he wants to do, as a matter of right, under the law, for this reason. He could say, "I will sell you American middling, which I guarantee to be fully middling, Liverpool," and that guaranty carries with it sufficient weight so that all business would be done on Liverpool standards, and not on American standards, and we are contending here for the use of American standards in our foreign commerce.

Mr. WELD. I might agree with Mr. Meadows, and I think that perhaps he is putting facts before the committee more clearly than I did this morning. What I am trying to impress on the committee, and I thought he disagreed with me, is that I could not do this under section 2, but Mr. Meadows agrees with me. I thought he did not agree with me, and that the committee did not agree with me, and said that that was not the intent of the bill.

I would like to say this one thing more, if I may, gentlemen, that I am heartily in sympathy and I hope I have not said anything that indicates otherwise, with this bill, as long as it attempts to standardize the classification of cotton in the United States. I am against it if it attempts to impose upon the small merchants in the United States a limitation by which they may only offer their cotton to Europe on American standards.

Mr. MEADOWS. Are you through?

Mr. WELD. Yes.

Mr. MEADOWS. Mr. Chairman, in the second section of that bill is a provision to the effect that cotton can be offered on type or on marks, as it has always been offered. As a matter of fact, by far the greater volume of the export business is on types and marks, and there is no interference with such business. If Mr. Weld is so solicitous about the small shipper, and also his own business, I can assure him that he will have the old time right of shipping cotton abroad on marks or on type, just as he has always had, but he will not have, under this bill, the right to ship it under the Liverpool, Bremen, or Havre standards for classification and staples. It is not necessary, with the latitude we give in the measure, the way the measure is drawn, to permit the trading on foreign standards. We are trying to encourage the use of our own standards.

Mr. Weld has already admitted in his testimony before you that the American cotton mills buy their cotton on American standards almost exclusively. We are trying to pass back to the producer the right to sell on that standard, and in order to do that we have got to eliminate the Liverpool standard from American commerce, and in order to eliminate that standard from our own American commerce we have got to make the terms of this bill such—draw it in such a way that they can not ship cotton out of the United States on Liverpool standards.

I agree with Mr. Weld that it would be of very doubtful legality for a man who is shipping cotton to Liverpool on American standards to say at the same time that the American standard is exactly equal to the Liverpool standard.

Senator RANDELL. Mr. Meadows, there is one point that I am not quite clear on. We have our American standard money, our dollar, our standard, and yet we do an immense amount of export business with England, and with France, and with Germany, all of whom have their own financial standards or systems, and we convert our money into their values, or their values into ours. Now, why, if you have a set standard

for cotton here, cotton standards—and I believe that everybody feels that there ought to be one—why would it not be practicable for us to say to the man that we will sell him cotton, that the American firm will sell cotton by the American standards, but say, "My friend, you can depend upon these standards being just exactly the same as the standard grades which you know as fully middling," or that our grades correspond with the grades they have over there?

Mr. MEADOWS. You have the point exactly, Senator. Our standards will be known in England and they will buy cotton by American standards, knowing exactly what they are going to get, and buy it that way.

We have what they must have. There would be no more trouble in converting the American standard into the English standard than there is in converting American money into English money; but they can not make it a part of the contract, in my judgment, because if you do that you obviate the use of the American standard, practically, under this bill, and that could be done in every-day business, but the adjustment would be made on American standards. They could adjust the American standard to the English standard. That is occurring to-day, every day, and Mr. Weld's house in Liverpool makes offers on marks, on the English standard, and he could continue to do that, and that would not be in violation of our law here, but it would be for the people in Liverpool or any other man, or any representative on the other side of the water, to make that adjustment and not put it in the terms of the contract, of the printed or written terms of the contract.

Mr. WELD. Senator, I am very glad that Mr. Meadows again emphasizes that my house can do this business. I have never attempted to deny it, and I am simply pointing out that the small house, that does not have a Liverpool house, can not do that.

Senator RANDELL. Your contention is that it is of questionable benefit to the American cotton trade to have this direct dealing between the producer here and the spinner over there. That is your contention, is it?

Mr. WELD. Yes, sir; it is, sir.

Mr. MEADOWS. May I ask Mr. Weld a question?

Senator RANDELL. Yes.

Mr. WELD. Indeed you may.

Mr. MEADOWS. Mr. Weld, as a matter of fact, you offer direct—offer Lancaster or other European markets direct from New York often, do you not?

Mr. WELD. At times.

Mr. MEADOWS. You offer straight from Liverpool, as a rule?

Mr. WELD. I offer direct, and that is from the Liverpool house, because I have a Liverpool house there for that purpose. Any merchant having a Liverpool house can offer direct to Lancaster and particularly to the European trade.

Mr. MEADOWS. Well, couldn't the American houses offer direct, just as you offer direct from over there? Couldn't the American houses have representatives in the leading markets of Europe, and offer as agents to the spinners over there?

Mr. WELD. No, I think there is a difference between the business in Lancaster and other European markets. Cotton is not offered in England direct to the spinner, from the English shippers, except in very few cases. It is practically not done.

Mr. MEADOWS. There is a certain amount?

Mr. WELD. Of course, that is just my point. There is a certain amount of business done, shipped to Manchester direct from American shippers, but practically there is very little of that done, and it is not very widely practiced on the Continent, as you should know. Both in France and Germany and Central Europe, also in Russia—not in Russia now, but in Russia before the war.

I thank you, Senator Ransdell, for asking why the case is not quite the same as in the exchange of Government currencies. It would be were it not for section 2, but it seems to me this law practically prevents that. An American banker is not allowed to offer bonds or a foreign loan for sale.

Senator RANDELL. You would have no objection to the bill, then, with a slight modification permitting you to deal under this, or to trade, or to make the statement as to the comparison between the rates here and over there.

Mr. WELD. No, sir; because under those circumstances the only item would be a little bit added to the revenues of the Postal Telegraph Co. and the Western Union Telegraph Co.

Senator RANDELL. But there would be no objection to that?

Mr. WELD. No, sir.

Senator RANDELL. But Mr. Meadows contends that that would destroy the purpose of the bill.

Mr. MEADOWS. It would as long as we permitted that.

Senator RANDELL. I wish that you would make that a little bit clearer to me. I am a little bit in the dark about it. I do not quite get that. I wish that you would elaborate a little bit on that, Mr. Meadows.

Mr. MEADOWS. I will try to elaborate on that. That brings up another question that we have not thus far gone into. It was discussed in the hearings before the House committee.

Section 4 also is one of the very important sections of this bill, and thus far, to date, section 4 has not been brought into question. Section 4 gives the right of arbitration to the Secretary of Agriculture on spot sales.

My feeling is this, that in case you specifically order grading according to American standards, and say that they are equal to Liverpool, there would be a tendency to want to arbitrate those disputes on Liverpool grades, and we are opposed to that, as far as possible, taking the arbitration away from America. We want to take the arbitration away from Liverpool and bring it back to the United States. We carry the same idea in this bill as was carried in the grain standards bill of 1916, that the American certificate shall be final, and we want the American certificate on cotton, issued by the Department of Agriculture, to be final, and we do not want to give or permit an Englishman to say that you guaranteed this according to my standards, and I have that standard, and you don't. I am the arbitrator, therefore, as to whether you equal my standard, and we are trying to get away from that very point, and that is the reason that I do not want to insert Mr. Weld's proposition.

In the first place it is not necessary for him, and in the second place he does business on marks and types and under this bill he can continue, and this gives him wide enough latitude to do any kind of business that he wants to transact, without an amendment, and it is not necessary for him to use his standard in the transaction, or it gives him a right to use his standard in the transaction.

I am for the American standard. May I continue for just a second?

The CHAIRMAN. Yes.

Mr. MEADOWS. Before I refer to this section as to whether it will interfere with the small shipper in the South or the small shipper of cotton, I wish to read a couple of telegrams:

NEW ORLEANS, La., February 15.

B. A. E. MEADOWS, Washington, D. C.:

Do you understand that the provisions of H. R. 14302 by Fulmer would prevent a merchant in this country from offering to sell or receiving offers to buy cotton by the Liverpool standards of classification? For instance, would it be lawful for a merchant to offer to sell or receive an offer to buy Liverpool good middling expressed as such? Your opinion would be valued.

EDW. S. BUTLER, President.

WASHINGTON, D. C., February 16, 1923.

BUTLER,

President Cotton Exchange, New Orleans, La.:

Yours under Fulmer bill. American cotton can not be sold or shipped in interstate or foreign commerce on any standards other than United States official standards, but transactions on private types or marks are permitted.

MEADOWS.

I understand that that has met with his approval—not his approval, but I understand that he does not, or his exchange does not, object to passing this measure. Certainly, if it were harmful to the business, or to the small shipper, there would have been sufficient weight of influence brought against the exchange to have had a different telegram sent to Washington on the subject.

Senator RANDELL. Have you a copy of his reply?

Mr. MEADOWS. No, sir. I do not. I have heard it said that it was here in the House. I simply hear that; I did not see the copy. I do not know the exact wording, but it is substantially to the effect that there is no objection to the passage of the Fulmer bill—recalls that fact.

Now, if I may proceed, I have one or two more points to bring out.

One of the objections that we heard this morning to the passage of the bill was that the standards were not sufficiently well understood to make the bill effective; that it did not make direct reference to what standards would be used as I understood the witness.

I wish to point out that in section 6 there is a proviso inserted there, and I wish to direct their specific attention to the fact that it states that the cotton standards of the United States which shall become effective on August 1, 1923, will become effective

for the use of this bill, and for the purposes of this bill. In other words, the standards that we are doing business on, with slight revision, shall take place on the 1st of August, next, will automatically become the sole standards recognized under this measure.

Mr. WELD. And only those, and only those standards?

Mr. MEADOWS. I understand that. Mark and type business will be permitted.

Mr. WELD. That is right.

Mr. MEADOWS. I understand.

The subject was also raised, on account of lack of quarter grades, as expressed this morning, and to answer that question, or in answer to that objection, I wish to point out that in the meeting of the cotton men which was held in the Department of Agriculture on June 19 and 20, past, that that very question was submitted to the cotton men, who were present, by the insertion of this topic for discussion on the program "The consideration, of the feasibility of using split or intermediate grades, especially in spot transactions, in order to take care of cotton which, for example, falls between the boxes of middling and strict low middling."

That program was laid down by the department.

The committee's answer to that question, and their report was:

"The committee expressed itself as absolutely opposed to the split grades."

This question of split grades has been under discussion for a long, long time, and was one of the primary causes for changing the former contract and the future markets, and as soon as the cotton futures act went into effect and the standards were procured in 1914 and 1915, we discontinued the use of quarter grades as discussed this morning, and here is a committee of representative men:

Mr. C. A. Francis, Mr. D. R. Coker, Mr. J. K. Dorrance, Mr. Sidney E. Wolf, Mr. S. Y. West, Mr. W. B. Sparrell, Mr. G. Arthur Gordon, and Mr. W. J. Neale.

Now, Mr. Chairman, I think you will find that if there is any set of men in the country that knows the cotton business it is those men. They were picked for their knowledge of the subject, and the Agricultural Department rests its case in their judgment.

Now, while I am on my feet, I want to say that as I sense the testimony this morning, there is not very much serious objection to the bill, except one point, which Mr. Weld and I have discussed this afternoon.

The other, previous, witnesses against the bill were for postponement. We have already answered one point on that, and that was to the effect that sufficient time had not been given for proper consideration of the bill. I think that my morning testimony sufficiently answered that point. It seems, then, from my point of view, that there is no necessity for further hearings on the subject or more or less delay for this special reason, that if you postpone the enactment of a bill on which there is more or less unanimity of agreement, except upon this one clause of section 2, until some future Congress, the farmers will at least wait one year before they can receive the benefit of the legislation we are trying to get for the farmers. We are trying to be of some benefit to the farmers and if Congress postpones action on this measure they must wait. If the grain farmers were entitled to similar legislation in 1916, certainly the cotton farmers are entitled to assistance from the Government in 1923.

If there are any questions now, I would be glad to answer any further questions from any source.

Senator RANDELL. May I ask these other gentlemen here what they would hope to develop in case this matter should be delayed, where they would get witnesses from, and what additional points they might bring out? Mr. Weld and Mr. Hubbard, I believe you are the two gentlemen that are interested in having this matter delayed?

Mr. WELD. I figured I had answered that in my testimony this morning as to when this bill was originally introduced. All I can go by is what the bill says, that it was introduced on the 12th of February.

The CHAIRMAN. No; that is when it got to the Senate. It was introduced last June in the House.

Mr. WELD. So the testimony has been, sir, but I think it is not correct. I think there is a mistake. I think this bill was originally introduced in the House on the 12th of February and passed on the 14th. It may have been introduced in some other form before that. However, that is true.

The CHAIRMAN. You are mistaken about that, Mr. Weld. The date you see there is the date when this bill was introduced in the Senate.

Senator KEYES. Mr. Fulmer introduced the bill, and I think he could answer that question.

The CHAIRMAN. That is the date that the bill came to the Senate.

Senator KEYES. Let us ask Mr. Fulmer. He is the author of the bill.

Mr. FULMER. June 1, 1921, and I had considerable correspondence from New Orleans people. It was not introduced in its exact form then.

The CHAIRMAN. I think, then, it was really introduced in its present form, with some little minor changes, but nothing in connection with the section we are speaking of now?

Mr. WELD. Well, Mr. Chairman, it says in the bill, the 12th of February, 1923. That is all that I know about it.

The CHAIRMAN. It was introduced in the House on the first day of June, 1921.

Mr. WELD. In exactly this same form, Mr. Meadows?

Mr. MEADOWS. In substantially the same form. You understand that the committee of the House amended it, and then it was amended on the floor of the House. That is the extent of the changes, but these changes, these two or three changes, were minor changes made by the committee and on the floor.

The CHAIRMAN. There were not two bills introduced.

Mr. MEADOWS. It is the same bill, just revised twice.

The CHAIRMAN. Well, if you will examine the memorandum appearing on the bill, you will observe that the notation as to it being a Senate bill does not appear on it. This is not a bill. It is an act. That only bears out that that is the date that it came to the Senate.

Mr. FULMER. Mr. Chairman, I might call your attention to the only changes you will find, which are on page 3, to the effect that "the Secretary of Agriculture shall fix rules and regulations for submitting samples of cotton for classification providing that all samples shall be numbered so that no one interested in the transaction involved shall be known by any classifier engaged in the classification of such cotton samples."

Otherwise, the bill is the same as the bill that was introduced on January 21, 1921.

Senator KEYES. As I understand, it passed the House on the 5th of February. Can you advise if that is correct?

Mr. FULMER. This year?

Senator KEYES. Yes; this month, three weeks ago.

Mr. WELD. Well, all I can say, as far as my knowledge goes, as a matter of fact, I do not want to take the time of you gentlemen any longer. You have been to lenient as it is.

My primary objection to the bill is that there has not been enough time for consideration, that it is too hasty and you are not giving opportunity for hearings and discussions on the matter, as to the objections. As I say, that is my objection to the bill, which is my primary objection. Others, who have reviewed the bill, perhaps, might see other objections, and I think that it is only fair to the trade in the United States that it be given an opportunity to discuss this bill, to discuss it, if necessary with the Bureau of Markets, and accomplish what the Bureau of Markets wants to accomplish without endangering the cotton trade or subjecting it to a great many trials and difficulties, which God knows it has enough of at the present time.

Senator RANDELL. Mr. Weld, you introduced two telegrams this morning, from cotton men. What was their object, and who were they from?

Mr. WELD. One was from Alexander Sprunt & Son (Inc.), and the other from Wade Cothran.

Senator KEYES. They are very big factors, firms?

Mr. WELD. They are not factors.

Senator RANDELL. They are not?

Mr. WELD. They are not factors—

Senator RANDELL. They are exporters?

Mr. WELD. They are exporters—very large exporters.

Senator RANDELL. They handle a great deal of cotton?

Mr. WELD. Yes, sir.

Senator RANDELL. And they are very much opposed to it; was that the purport of their telegrams?

Mr. WELD. Yes.

Senator RANDELL. I did not quite catch it.

Mr. WELD. They are objecting to it.

Senator RANDELL. Did they say why?

Mr. WELD. I do not think they state. I am not sure. The Secretary has the telegrams.

Senator RANDELL. Yes. Well, I thought you remembered.

Mr. FULMER. Mr. Chairman, may I ask the gentleman a question?

The CHAIRMAN. Yes.

Mr. FULMER. Alex Sprunt & Son, and Cooper & Griffin ship very largely to the mills, and they only offer standard grades?

Mr. WELD. Yes; I assume that they ship them the same as anyone else, whatever they want to buy.

Mr. FULMER. As a matter of fact, I have sold considerable to Sprunt & Son and Cooper & Griffin, and they absolutely buy on the official grades, and we are trying now to eliminate the Liverpool grades and the present claims, because the cotton trade have protested. They buy on official grades absolutely. I have sold their agents in the small towns, and never sold them on anything other than the grades, except the official grades.

The CHAIRMAN. Are there any others who desire to be heard?

Mr. MEADOWS. There is just one point that I want to make that I wish to go into the record as to the conditions to-day in the exportation of American cotton. The big firms who have houses on the other side have an agent in the matter of arbitration; they have some one there to look after their interests. The small firm who does not have that representation over there so well established, as on a purely ownership basis, does not have that chance of arbitration so successfully before that board of cotton arbitration, especially as to the matter of Liverpool arbitration. Therefore, it might be to the interest of the larger firms not to want to standardize on cotton in the export business, because they have what you might call the inside track.

The CHAIRMAN. What happens to the small man over there who is not represented by a firm?

Mr. MEADOWS. He will have to take some one else to act as his agent in Liverpool.

The CHAIRMAN. Now, suppose that we pass this law, what would happen then?

Mr. MEADOWS. The Secretary of Agriculture on this side would pass judgment as to the class of staple and the cotton, and he could arbitrate, and his decision would be final.

The CHAIRMAN. When the money is being paid, when and where would it be paid?

Mr. MEADOWS. Well, that would all depend on how the contract was made. It would be collected on this side of the water usually, because all cotton is sold on the other side, practically, cleared against documents. When the documents get over there we get the money, and then if they make a claim for refund they would have to make it, and it would have to be arbitrated here. We would have the English collect from America. As it stands now they have the standard and they have the arbitration committee, and they have the organization, and if you do not pay it at their demand they blacklist you and practically put you out of the cotton business. We would like to take away that strangle hold of the Liverpool Cotton Association on American business. In the measure we have got here we substitute for English arbitration, we offer arbitration by the American Government.

The CHAIRMAN. Now, there is one matter that I would like to have you explain. Suppose that I am a small shipper of cotton, and I send over to Liverpool shipments, and this law is passed and in effect, is it cut and dried that when I send that I get cash before I send it?

Mr. MEADOWS. We get the cash before they get the cotton.

The CHAIRMAN. That does not quite answer. Where is the cotton when we get the cash?

Mr. MEADOWS. It is somewhere on the water. You make shipments and sell the documents in New York, and get the money, and the bank attends to the collection on the other side.

The CHAIRMAN. Now, has the collection been made before the cotton arrives?

Mr. MEADOWS. You collect before the cotton arrives on the other side, as a rule.

The CHAIRMAN. Is that the universal rule?

Mr. MEADOWS. That is the general rule.

The CHAIRMAN. What I am trying to get at is, what happens in the event this little man bought the cotton over there and when he got it he claims that it does not comply with the contract and refuses to pay for it.

Mr. MEADOWS. I believe before he gets the cotton that has been put through. You see, as a rule, the merchant in the United States takes his invoice, bill of lading, and insurance policies to the local bank and turns them over to the local bank, and they take the documents and forward them to New York, and so the bank reimburses itself, and then at the close of the 60 days they proceed to the Englishman and he must pay it.

Now, the Englishman, in the course of time, if he has a claim, files his claim against the shipper, and to establish that claim goes before his own arbitration committee, against the American standard, in accordance with the English standard; and they have that standard and will not furnish it to us, except in exceptional cases. If some exchange wants it they will send them the standard. They ignore a plea made by an individual. He establishes his claim on the other side, and then comes back to the American, and the American must pay. Of course, all of that is taken care of under the terms of the contract, as to how both are to pay. But, if they have a claim against the American, the American must pay or he will be excluded from doing business in the future in cotton.

Now, under the method of doing business under this law, the Secretary of Agriculture will pass judgment as to the grade and staple of that cotton, and any shipper securing a certificate as to that grade or classification—that certificate is final, and if the Englishman does not like it he can not help himself. It takes the American and puts him in the saddle, and takes the Englishman out of the position he has occupied for so many years that he refused to talk about agreeing on standards and taking arbitration away.

The CHAIRMAN. In other words, he has been in the saddle so long that he does not want to get out?

Mr. MEADOWS. He looks upon it as a birthright. They have used that expression in talking with me about it.

The present rules and practices were established when England took the greater part of America's cotton crop, but to-day I believe that England is taking only one-fifth for her own spinners, and yet she dictates the rules of the game. I do not think that is fair for the American crop, and I understand that is what others think. The French say, "You Americans grow the crop. Make your standards, and we will take the cotton according to your own standards." So it is just a matter of detail, then.

(Whereupon, at 3 o'clock, the committee proceeded to the consideration of other business, after which it adjourned.)

**END OF
TITLE**